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CANADA

1945

BUDGET SPEECH

DELIVERED BY

HON. J. L. ILSLEY
MINISTER OF FINANCE
MEMBER FOR DIGBY-ANAPOLIS-KINGS

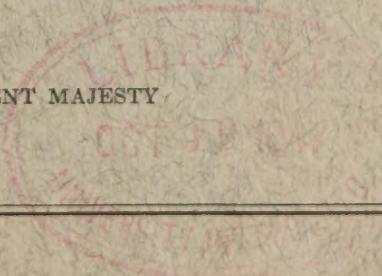
IN THE

HOUSE OF COMMONS

OCTOBER 12, 1945



OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
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BUDGET SPEECH

DELIVERED BY

HON. J. L. ILSLEY
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, FRIDAY, OCTOBER 12, 1945

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE
MINISTER OF FINANCE

Hon. J. L. ILSLEY (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said:

I

FINANCIAL REVIEW

Mr. Speaker, in presenting to the house tonight the government's proposals for meeting the financial requirements of the present fiscal year in a budget, which is the first to follow the cessation of hostilities both in Europe and in the Pacific, I am reminded that six years and one month ago, on September 12, 1939, I presented at the special session of parliament, on behalf of the then Minister of Finance, the first budget following the outbreak of war.

I was impelled to warn at that time against expecting the war "to be a short and only moderately expensive one" and said further, "We must make our plans now with the full realization that we may be in for years of strenuous national effort". Though we fore-saw the kind of problems we would have to meet and something of the magnitude of the effort, none of us realized how strenuous or how long those years would be.

It is a matter for great thankfulness that we have accomplished the task and that we can now confront, in good order and in good heart, a future which is filled with problems and difficulties but also with promise.

It was helpful to me in preparing this budget, and I think it will be helpful to the house, to take a glance back over the rugged path which we have travelled before turning our attention to the road ahead.

In the budget speech of September 1939, certain broad principles of war finance were laid down. The first one was that we should "follow as far as may be practicable a pay-as-you-go policy". It was explained that in the view of the government this meant a rapid increase in the level of taxation as our war effort and national income expanded, having due regard to the needs of war, the necessity of preserving incentive, and the need for allowing individual savings to be made. In the course of the war, the government was seldom criticized for not pressing forward rapidly enough on this policy.

The income tax was increased by 20 per cent in 1939 and moved in three more swift steps to the full war level established in the budget of 1942. The increase to this level of income taxation with the provision for refundable taxes was made possible by the withdrawal of the provincial governments from the income tax fields under the agreements of 1941. In 1943, without increasing the general level of the personal income tax, the pay-as-you-earn system was adopted and collections put on a current basis. In the course of these changes, by advancing the dates of payment we were able to augment the revenue of the war years substantially. With the exception of the cancellation of the refundable feature of the personal income tax in 1944 and of minor amendments, the taxation of personal incomes remains at the level established in 1942.

The Excess Profits Tax Act, provisionally enacted in the fall of 1939, was given its present form in 1940, and in 1942 the rate on the "excess profits" was increased to 100 per cent of which 20 per cent is to be refunded.

Succession duties were first imposed in 1941 and have not been changed since except in minor degree.

In 1940 and 1941 new and increased commodity taxes were imposed for exchange reasons, to encourage transfer to war production and for revenue. Since 1942 the main increases in taxation have been in indirect taxes applying to commodities and services which were not necessities of life and of which frequent purchase gave some evidence of ability to pay.

By about the middle of the war we had thus reached nearly the full war-time level of taxation. By previous Canadian standards, the level of taxes was enormously high. It was, however, by no means the highest tax level among comparable countries and, generally speaking, the taxation of the lower incomes was less severe than in other countries.

The result of the balance we endeavoured to keep between taxation and borrowing has been that up to March 31, 1945, after meeting all other expenditures, we covered about 45 per cent of our war expenditures out of current revenues.

The second principle enunciated in September 1939 was that, after an initial credit expansion, designed to facilitate a rapid increase in production, we should endeavour to limit our borrowings as closely as possible to the genuine savings of the country. In pursuit of this principle, our initial borrowing was from the chartered banks, followed by a war loan offered to the public but not distributed among individuals by the intensive effort which has characterized the victory loans. In May 1940, war savings certificates were instituted and the campaign to increase savings which is still being carried on was begun. With the first victory loan of May 1941, full emphasis was given to borrowing the savings of individuals, and the organization which later became the national war finance committee began the notable and patriotic work which they are still carrying on with such great initiative and thoroughness. In the first victory loan the number of individual cash subscriptions was 946,549. In the eighth victory loan of last May, the number of individual subscriptions was 3,178,275. I trust that in the ninth victory loan which is being offered to the public this month this great number will be maintained or exceeded. It is difficult

to estimate the importance for the future of the very large savings now held by individuals in this country. It is possible to make a rough estimate only of the savings held by Canadian individuals in certain liquid forms. Such an estimate, which cannot be too wide of the mark, indicates that as of May 31, 1945, in currency, bank deposits, refundable taxes and Dominion government securities, Canadian individuals held savings of more than nine and a half billion dollars and that these savings had increased by more than six and a half billions since the end of 1938. The major item in these savings is dominion government securities estimated at five and a quarter billion dollars. These figures do not, of course, include all the savings of individuals but only savings held in the liquid forms specified. They do not include savings in the form of insurance, pensions, homes, or corporate securities.

The third principle which we set out at the beginning of the war was that in our borrowings we would endeavour to set the rates of interest as low as possible. We began our public borrowings in January 1940 with the issue of a 3½ per cent bond having an average maturity of ten years. The long-term issue which is being offered in the ninth victory loan has a term of twenty years and ten months and carries a rate of 3 per cent. At the rates now obtaining, a ten-year bond such as was issued at 3½ per cent in January 1940 could now be issued at 2·59 per cent. As of March 31, 1939, the average rate of interest paid on the funded debt was 3·52 per cent. On March 31, 1945, the average rate had fallen to 2·51 per cent.

The fourth principle laid down for war-time financial policy was part and parcel of the other principles. It was a definite rejection of the methods of inflationary finance. That principle has affected all our operations in the fields of taxation and borrowing but its pursuit has also led us to many major decisions in other fields. It emerged in its most comprehensive form in the historic decision of October 1941, to consolidate our wage controls, institute salary control and impose a comprehensive price ceiling as of that period. The progressive development of many additional controls over the supply and distribution of goods lent support to this structure.

These simple principles have led us a long way. They have permeated war-time financial and economic policies and have given them solidity and coherence. The carrying out of these policies throughout the fields of finance and economic stabilization has been recog-

nized, I think, as one of the most substantial of our war-time achievements and one most appreciated by the people of this country.

I have recalled briefly some of these points of war-time policy as foreshadowed in the first war-time budget because we now stand at the beginning of a new period and face new conditions and new problems. The policies which we have followed during the war have an important bearing on the choices which now confront us.

GOVERNMENT ACCOUNTS AND FINANCING, 1944-45

It is only right that I should say something concerning the financial results of the fiscal year ending March 31, 1945, but I shall confine myself to a few brief statement since the present fiscal year is already half gone and the final figures for 1944-45 are given in some detail in the budget papers which I shall table before sitting down. Further, the full public accounts for the past fiscal year will, I hope, be presented to the house shortly.

In the year 1944-45, total revenues, including refundable taxes, amounted to somewhat more than \$2,900 million, a slight decrease from the revenues of the previous year. Total tax revenues, including refundable taxes, were somewhat down from the previous year, at \$2,374 million. This moderate reduction in tax revenues occurred mainly in the yields of the personal income tax and the corporation tax, and to a less extent the excess profits tax. Among commodity taxes, the revenues from spirits and malt, cigars, cigarettes and tobacco, and gasoline, all showed substantial increases.

Ordinary expenditures for the year were \$767 million compared with \$630 million in the previous year. More than half of this increase was the result of increased public debt charges. The other major increase was in the expenditures of the Department of Veterans Affairs. War expenditures, including Mutual Aid, were \$4,400 million, or slightly lower than in the previous year. The grand total expenditure was \$5,246 million, about \$75 million less than the previous year. Since total revenue, exclusive of refundable taxes, was \$2,687 million, the over-all deficit for the year was \$2,558 million, or approximately \$1 million greater than in the previous year. This amount is the extent of the increase in the net debt during the year.

Other financial requirements for loans and advances and investments are set out in some detail in the budget papers which I shall table and I shall not attempt to review them here except to say that the amounts have turned

out to be smaller than I anticipated in the budget of last year. Total borrowings for the year, including refundable taxes, amounted to approximately \$3,360 million. Of this, \$219 million was obtained in refundable taxes and \$2,948 million through the sale of victory bonds and war savings certificates. I should say here that, as explained in the budget papers, the amount set aside for refundable taxes is abnormally high. It has been found as returns are assessed that taxpayers have tended to credit too much of their payments to the corporation tax and too little to the excess profits tax or not to distinguish between them. It has become necessary therefore to increase the liability for refundable taxes. The remaining borrowings were obtained by an increase in treasury bills and deposit certificates outstanding, and in the floating debt. The total amount borrowed, \$3,360 million, was used to meet maturities of \$252 million, to increase holdings of cash by \$152 million, and to finance the cash deficiency of \$2,955 million arising from the budgetary deficit and the loans, advances and investments made during the year.

As at March 31, 1945, the total unmatured funded debt, including refundable taxes, amounted to \$13,984 million. The net debt was \$11,298 million, having increased during the year by the amount of the budgetary deficit. The funded debt carried annual interest charges of \$351,590,000. The average rate of interest was 2.51 per cent as compared with 2.54 per cent as at March 31, 1944.

The most notable financial operations of the year were the successful conclusion of the two great victory loan campaigns. The achievements of the national war finance committee in the sixth and seventh victory loans in the fiscal year 1944-45 were exceeded only by their later success early in this fiscal year in carrying out the eighth victory loan.

II.

BUDGET FORECAST 1945-46 AND FINANCIAL PROPOSALS

The financial proposals which I have to lay before the house are for the requirements of the current fiscal year 1945-46 but I realize that with six months of the fiscal year gone by and with hostilities ended I shall be expected to look further forward than the end of March next. The budget which I am presenting is a war budget in that, as I have already told the house, war and demobilization expenditures will continue for a short time at high levels even though hostilities have ended and though the demands of the armed services on men and materials have

fallen and are falling rapidly. The financial needs of war and demobilization are still very great in this as in every other country. On the other hand, this is also the first peace-time budget and its effects on employment and income must be accepted as of major importance.

The expenditure estimates for this fiscal year are known to the house. The main estimates covering non-war expenditures require \$1,024 million. The war estimates stand at \$3,365 million. The expected expenditures for war service gratuities and reestablishment credits as authorized by statute are \$240 million. We expect that we shall need to ask about \$30 million by way of supplementary estimates. Our total expenditures for the year are therefore estimated to be approximately \$4,650 million.

On the revenue side it is estimated that under our present tax laws, revenues in 1945-46, not including the refundable portion of the taxes, will be \$2,515 million, as compared with \$2,687 million in the previous year. I shall place on *Hansard* a statement showing the details of this estimate in comparison with the revenues of 1944-45:

	1945-46 (millions)	1944-45 (millions)
Customs duties.....	\$ 120	\$ 115
Excise duties.....	175	152
Sales tax (net).....	225	210
War exchange tax.....	75	98
Other excise taxes.....	250	236
Income taxes:		
Personal	725	768
Corporate and excess profits tax	710	742
Interest and dividends.....	29	28
Succession duties.....	20	17
Miscellaneous	8	8
Total tax revenue.....	\$2,337	\$2,374
Less refundable taxes	72	219
Net tax revenue.....	\$2,265	\$2,155
Non-tax revenue.....	150	145
Total ordinary revenue	\$2,415	\$2,300
Special receipts.....	100*	387
Total revenue.....	\$2,515	\$2,687

* Arbitrary estimate.

It is indicated in the table that under the present tax laws we anticipate some declines in the sales tax and the war exchange tax, though the declines will be partly offset by the reduction of refunds on purchases for other governments. We anticipate some increase in revenues from excise duties and from excise taxes on tobacco. We likewise anticipate that there will be moderate increases in the revenues from excise taxes on retail purchases, gasoline, amusements and similar taxes. Personal income

tax would be expected to decline somewhat were it not for the channelling back through this tax of repayments of the portion of family allowances which duplicates the tax credits allowed to taxpayers in respect of dependent children. We look for some substantial decline in the combined revenue from the corporation income tax and excess profits tax.

On these estimates there will be a decline of about \$150 million in our revenues this year, though this decline is to be attributed to the distribution of rebates and refunds as between this year and last year. Taking approximate figures, expenditures of \$4,650 million and revenues of \$2,500 million would result in a budgetary deficit for 1945-46 of \$2,150 million, or approximately \$350 million less than the deficit last year.

I have explained to the house on an earlier occasion that, as in other years, we will have substantial financial requirements outside the budget. It will be necessary in the reconstruction period to extend credits to allied countries for the financing of their needs and of our export trade. On a later occasion the house will be asked to approve a very large increase in the amount already provided under the Export Credits Insurance Act and to make such provision for other loans and investments as may be required. Though these amounts cannot be fully estimated at this time, it is anticipated that to provide such credits and to make loans to the foreign exchange control board may require in the neighbourhood of \$800 million this year, bringing our total financial requirements for the year to about \$5,400 million, an amount which is \$300 million less than the total cash requirements of the past fiscal year. No provision has been included in these figures for subscriptions to the international monetary fund or the international bank for reconstruction and development, to which, if the house approves the legislation to be introduced, only token contributions would be made this year.

These are our requirements up to March 31, 1946 and, while they represent a reduction from the previous year and some shift from expenditures to loans, they are, as the house will see, at a very high level. These requirements in themselves do not suggest that the Minister of Finance is in a position to forgo any revenue which he might otherwise obtain.

In thinking over the financial problems of an initial peace-time budget, I had occasion to look back to the budgets of 1919 and 1920 following the first world war. I found that

in June, 1919, seven months after the end of hostilities, the then Minister of Finance estimated an increase in expenditures for 1919-20 and that in fact his estimate proved to be much too low. I found that the income tax, which was then admittedly at very low levels by present day standards, was increased in that budget by amounts ranging from about a third to 100 per cent of the existing rates and that the corporation tax was increased. In May, 1920, the personal income tax was again increased by adding 5 per cent to the rates in all brackets above \$5,000 and an imposing array of luxury taxes was proposed, although some of them were later withdrawn. The business war profits tax was extended for another year, though its effect was alleviated somewhat by raising the exempted rate of earnings from 7 per cent to 10 per cent. The 7½ per cent customs war duty was removed from all imports. In 1921 the business war profits tax was discontinued but the sales tax was instituted and there was some increase in excise duties.

I have not referred to these budgets of my predecessors to make any unfavourable comparison or to question the judgment which they applied to the circumstances of their time. It is, however, I think, important to realize that the rapid increase in taxation which we were able to accomplish during the war and to which the people of this country gave such loyal support has left us less restricted in our choices to-day than were the ministers of finance at the end of the last war. I would further point out that, while they found as I have found that war expenditures do not drop as quickly as do war activities, nevertheless most of the increase in government expenditures following the first world war was the direct result of the wartime and post-war inflation which drove up prices and with them unavoidably government expenditures. No one is more impatient than the Minister of Finance at the slowness with which war expenditures decline. Nevertheless, they did in fact begin to decline this year as soon as hostilities ceased and our stabilization policy has so far saved us from facing that post-war increase in expenditures which was so great and disruptive a fact in 1919 and 1920. It is essential that we maintain our stabilization policy until the danger lessens.

BASIC CONSIDERATIONS

The most obvious consideration in the mind of a Minister of Finance in framing budget proposals is the financial requirement of the future. I have already pointed out that our

financial requirements for the present fiscal year will be at a high level, though reduced from the level of the previous fiscal year and very substantially reduced from those which we anticipated in the budget of 1944.

In speaking on the resolution introducing the war expenditures and demobilization bill, I intimated that our requirements over the twelve months from November 1, for which funds are being borrowed from the public in the ninth victory loan, would probably be in the neighbourhood of \$4,000 million. This will be still a large requirement but it will represent an accelerating decline in government expenditures from the time of the cessation of hostilities in Europe. I have already explained to the house the chief factors which retard the more rapid decline of expenditures—the lag in payments for supplies and services delivered in the past, the length of time covered by the payment of pay and allowances, deferred pay, war service gratuities and reestablishment credits for members of the armed services being demobilized, and the necessity of financing relief through our contributions to UNRRA and of extending export credits to allied countries who must feed their populations, replenish their stocks and reconstruct their industries, if, as we anticipate, they are to be valued customers and trusted friends in the future.

Looking further into the future, there are too many uncertainties in the currents of world events which affect Canadian trade and industry for me to venture a definite estimate of our financial requirements for the whole of the fiscal year 1946-47. The lag in payments for war supplies will be overcome and the payments cease. As the peak of demobilization is passed, demobilization costs will decline rapidly. The industries of allied countries will be rehabilitated and they will find in their own exports increasing sources from which to finance their import trade. Some of the remaining need may be met by the international monetary fund and the international bank. If reconstruction proceeds steadily in the world outside, we can anticipate further substantial reductions in expenditure in 1946-47.

Faced with the present fact of a very large deficit in a fiscal year of which five months had passed before hostilities had ended, and with the prospect of declining expenditures, it may well seem prudent to maintain our revenues, reduce our borrowings and extinguish our deficit as rapidly as possible. Such a policy is not without its attractions to a Minister of Finance but there are other considerations which claim attention.

The second consideration is economic. The government has adopted, as a major aim of government policy, the maintenance of a high and stable level of income and employment. Accordingly, it becomes a major consideration in budget policy. The present condition, as I see it, is that the outflow of war workers from war plants has been pretty well completed. The demobilization of the armed services is proceeding rapidly and will continue at a high level for some time. Civilian industry and employment are expanding rapidly. There are many projects in contemplation or under way for extended capacity and employment. Capital is plentiful. Consumers have unprecedented liquid savings, some substantial part of which they hope to spend as soon as their requirements can be met and met at reasonable cost. The urgent demand for housing needs no emphasis on my part. Deferred maintenance and other urgent and necessary works of railways, public utilities and governments are awaiting execution.

It is urgently necessary that the construction of houses proceed at the maximum possible rate. It is desirable that investment, which will lead to increased employment, should be made as quickly as supply conditions warrant. It is desirable that, as rapidly as finished goods can come on the market, consumers' needs should be met. It is not desirable that the government should through its expenditures compete with these demands for labour and materials, except for the most urgent needs.

During the war, there has been built up a system of taxation which is discouraging to investment, to enterprise and to consumer expenditures. In many of its aspects it was designed to be discouraging and restrictive to all activities not necessary to the prosecution of war. Some taxes were intended to restrict trade. Others have had the effect of increasing costs. I recognize that in the course of six years, war-time taxation has begun to blunt incentives and if continued indefinitely will paralyse the development of industry and trade.

This is a consideration of the greatest national importance. In such modifications as it is possible to make in taxation, it is imperative that we do what we can to reduce costs, restore incentives, encourage investment in the expansion of the employing-capacity of our industries whether in small or large enterprises and promote efficiency in production and export.

I probably do not need to elaborate on the third major consideration. We must maintain for some months yet the economic stabilization policy. It has been a sheet anchor during the war and is not to be cast off while there is still danger that what we have gained should be quickly lost. Recalling the course of events after the first world war, we must recognize the danger that the rush of consumers to buy, of traders to replenish their stocks and of producers to enlarge their capacity may easily result in an inflationary boom. In avoiding the rock on one side, we could be swallowed up in the whirlpool on the other. Our tax changes must be such as to contribute to employment and income, not merely to inflation and speculation.

There is another set of considerations of which there is not time to speak as fully as their importance warrants. Following the budget of 1941, the government entered into agreements with the provincial governments for the exclusive use of the corporation and personal income tax fields. By their terms, those agreements expire near the end of 1946. In August of this year the government laid before the representatives of the provincial governments comprehensive proposals for new agreements covering taxation and dominion-provincial relations generally. If they should be accepted, these proposals will, to an important degree, affect the continuing financial requirements of the government and the considerations under which it must frame its tax laws. If no agreement is reached, and the present agreements expire, the dominion is bound then to reduce the taxation of corporations by 10 per cent and to revise its personal income tax downward. In these circumstances, it would clearly not be prudent to take now hasty and irretrievable steps in the modification and reorganization of our tax structure.

It is in the light of these considerations that the proposals which I am about to make have been framed. We have fortunately reached the time when, despite our large requirements, we can contemplate some reduction in taxes. In doing so, we should bear in mind the paramount importance of assisting speedy reconversion, of restoring incentives, and of encouraging enlarged and efficient production and export on which our employment, income, and welfare depend. There are many and varied demands of the moment for tax reduction or elimination but it is necessary for all of us to think not of the moment but of the future, and of the interests of the nation as a whole.

THE WAR EXCHANGE TAX

A war exchange tax of ten per cent on all imports from non-empire countries was imposed in 1940. I am proposing that this tax should now be discontinued.

There were sound reasons for imposing this tax but the reasons for removing it have now become compelling. Though the tax affects many consumer items, its major impact is on producers. We are in a period when production, both primary and secondary, is changing over from a war market to a non-war market both at home and abroad. Export markets will become increasingly competitive. Primary producers must to a considerable extent reequip themselves. Industry must be extensively modernized. An important part of the equipment and supplies for production will be imported and it would be shortsighted policy not to assist producers in reaching the lowest possible cost of expansion, modernization and operation. It is undesirable that this tax should be capitalized into the costs of the future.

The removal of the tax will have some immediate benefit for the consumer particularly in increasing the availability of supplies. Its ultimate benefit to the consumer will be very great. The removal will ease the problem of readjusting the somewhat higher prices of our neighbours to the price level which we have maintained in this country.

The imposition of this tax was fully justified by the circumstances of war and by the acute scarcity of United States dollars. It was recognized, however, that the tax was discriminatory and could not be justified under conditions of normal trade. I am glad that under present circumstances it is both desirable and possible to remove the tax and it will be discontinued as from midnight to-night.

It has been estimated that this tax would yield us in the present fiscal year \$75 million. This sum, however, is subject to very substantial refunds on purchases for other governments, and it is swollen by the extensive purchase of war supplies in the United States. Though it is difficult to make an estimate, it seems probable that the loss of revenue will be about \$60 million in a full year and not more than \$30 million in the current fiscal year.

THE SALES TAX

I have been impressed also with the extent to which the sales tax is having a discouraging effect on the rapid and efficient modernization of our productive equipment. Whereas the war exchange tax affected imported equipment

only, the sales tax applies to imports and home production alike. It is highly important in this period when the transition is being made from war to civilian production and when extensive investments in plant, machinery, tools and dies are necessarily being made, and when primary producers are replacing and improving their equipment, that we should wherever possible remove taxes which result in higher costs. Particularly we should remove those taxes which, imposed far back in the production process, increase costs out of proportion to the contribution which they make to the revenue. It is especially important that if such reductions in taxation are to be made, they should be made now so that industries should not face the future with inflated costs of construction and equipment. It is of importance further that in the expansion of our peace-time exports and in the entry of the new industries into the export field this handicap to competition in world markets should be removed.

It is proposed to exempt from sales tax machinery and apparatus (not including office equipment or motor vehicles) which, in the opinion of the Minister of National Revenue, are to be used directly in the manufacture or production of goods. This exemption from sales tax will be effective as from midnight to-night.

The house will note that the sales tax is being removed from machinery and apparatus used in the manufacture or production of goods but not those used in distribution or in the rendering of services. The principle which we are endeavouring to follow is to remove the sales tax from the costs of those industries which bear sales tax on their products, including also those whose products have been deliberately exempted as in the case of food products. The sales tax will be imposed still on machinery and apparatus used in distribution and in service industries on which no sales tax is levied.

Nearly all the machinery used by primary producers is already specifically exempt from sales tax but the provision which is now being proposed will extend the exemption somewhat further.

It is estimated that in a full year this exemption from sales tax will result in a loss of revenue of about \$30 million, of which about half will be suffered in the current fiscal year.

There are some amendments to the Special War Revenue Act which are of less importance and I shall do no more than mention them. It is proposed to simplify the present unsatisf-

factory taxation on furs. At present there is a twenty-five per cent excise on furs, levied at the point of dressing and dyeing, and no sales tax on furs as such. The sales tax is, however, imposed on fur-trimmed garments. It is now proposed to reduce the excise tax to ten per cent and to subject all garments and articles of fur as well as fur-trimmed garments to the eight per cent sales tax. The main result of this change will be simplification and uniformity of tax treatment but there will also be some slight reduction in the tax on furs generally and a more substantial reduction in the tax on furs used in the trimming of cloth garments. The time of reclassifying manufacturers of fur garments as manufacturers for sales tax purposes will be announced by the Minister of National Revenue after a survey of the inventory position.

At the present time Canadian tourists returning from the United States are given an exemption on purchases up to \$100 which they bring in with them. Under the present law the retail excise tax is levied on articles included in such purchases. The tax is difficult to collect and it is felt that its collection is an unnecessary reduction of the tourist privilege which has been reciprocally extended between ourselves and the United States. It is therefore proposed to exempt these purchases from the retail excise tax.

The considerations, which we have had in mind in framing the budget proposals, indicate that tax reductions should be concentrated on the most vital points and should not extend to the taxation of consumer commodities in general. There are other and more appropriate ways of stimulating consumer buying to the extent that it requires stimulation beyond its present high level. There will be later periods when reduction of taxes on the classes of consumer commodities subject to tax will be more necessary and will have a more beneficial effect than now.

THE EXCESS PROFITS TAX

The Excess Profits Tax Act is a war measure which has commanded overwhelming support as an important and necessary instrument of war finance. Unmodified, it seriously weakens the stimulus toward the investment of capital and the efficient operation of enterprises. In this period of reconstruction it is becoming a barrier to expanding employment.

I have therefore three major modifications to propose. The first has to do with sole proprietorships and partnerships. The incomes of these firms are also subject to the personal income tax and the excess profits tax has per-

haps been particularly severe on them, particularly on some smaller firms which have experienced no great increase in profits during the war. I am conscious of the fact that in the United States the excess profits tax has never been imposed on such firms. It is now proposed to remove from all sole proprietorships and partnerships the 15 per cent rate on total profits but to leave them for the time being subject to the excess rate. In the other proposals which I have to make there will also be additional relief to this class of firms.

The second proposal is concerned with small firms whether incorporated or not. It has been argued that such small firms have suffered more than most by reason of the fact that they could be reasonably expected to grow proportionately more than the larger firms. Many of these firms have only the minimum rate of standard profits of \$5,000. Many have expanded during the war and it is represented that they can be a very great factor in providing employment in the post-war period. The position of such firms has been substantially relieved both in the United Kingdom and in the United States. It is accordingly proposed to increase the standard profits of all firms by half the difference between their present standard profits and \$25,000. This will have the effect of raising the minimum standard profits from \$5,000 to \$15,000. Further, in the case of a firm whose present standard is \$13,000, its new standard will be \$19,000. Firms which have a standard profit of \$25,000 or more will not be affected by this proposal.

Under this and previous recommendations, upwards of 12,000 businesses will be released entirely from excess profits and many others will experience some diminution of tax.

The government has reached the conclusion that in a period when we wish to encourage the fullest expansion of employment and income the 100 per cent rate under the Excess Profits Tax Act cannot reasonably be maintained. Now that we are moving from war to peace its undesirable effects become greater. The Excess Profits Tax Act has been in operation from the beginning of the war and the standard profits established on the basis of average profits before the war are becoming more and more out of date. There is widespread evidence that incentive is being stifled and that ordinary prudence in the making of business expenditures has been seriously weakened.

As an interim step towards the ultimate abolition of the excess profits tax, it is pro-

posed (a) to abolish the twenty per cent refundable portion of the excess profits tax; and (b) to reduce the rate on excess profits to sixty per cent. The simple effect of the proposed legislation will be that all corporate profits will bear a rate of forty per cent, and corporate profits in excess of $116\frac{2}{3}$ per cent of standard profits will bear an additional tax of twenty per cent. In the case of sole proprietorships and partnerships, the rate on profits in excess of approximately 117 per cent of standard will be sixty per cent. It is proposed that these changes in the Excess Profits Tax Act should be effective as from January 1, 1946.

It is estimated that as a result of these changes the government will lose its source of borrowing \$72 million as the refundable portion of the excess profits tax that the reduction of the excess rate to sixty per cent will result in a loss of revenue of \$72 million in a full year; that the raising of the standard profits for small firms and the exemption of unincorporated firms from the fifteen per cent rate will cost \$22 million.

Confronted as we are by continuing war expenditures and with business profits still extremely buoyant as a result of high government spending and rising private expenditures, I have reached the conclusion that it is not in the interest of the country and of an orderly and rapid transition to a peace-time economy to remove the excess profits tax entirely at this time. In stating this conclusion, I do not in any way qualify the previous assurances that have been given that the excess profits tax will not be retained indefinitely.

Nor is it possible in my view at present to modify the 40 per cent rate on corporations. If the present tax agreements with the provinces lapse without being replaced by new agreements, the government is bound to reduce the corporation rate by ten per cent. If new agreements are reached the rate can be reduced promptly but to reduce the rate now by any substantial percentage and be bound to reduce it by ten per cent more at the end of 1946, would, in my view, establish too rigid a programme of tax reduction. There are, I have no doubt, substantial arguments for some reduction but the considerations stated have appeared to the government conclusive. I am bound to add further that only a very small proportion of the complaints received by the Department of Finance concerning business taxation have referred to the 40 per cent rate.

There are certain less important changes which it is proposed to make in the Excess Profits Tax Act. Now that the 100 per cent

rate is being reduced to 60 per cent, it is proposed to remove the limitation which has hitherto been imposed by administrative regulation on expenditures in advertising. Its removal will of course date as from January 1, 1946.

There has been a provision of some importance to the mining industry under which the profits of new base metal or strategic mineral mines have been exempted from excess profits tax for the first three years of their operation. This exemption is due to expire on December 31, 1945. It is proposed now to extend it and to include thereunder the profits from gold mines and from certain industrial-mineral mines.

It is proposed also to extend for another year the tax credits allowed to mining and oil companies for off-property expenditures on exploration and in the case of oil companies for expenditures on deep-test wells.

In respect of forest industries, it is proposed to allow by administrative regulation the amortization of any unamortized portion of capital expenditures where, as a result of fire, insects, disease, or storm, operations in a particular area are abandoned.

In the budget of last year provision was made to allow the writing back to the profits of a war year of one-half the maintenance and repair expenditure incurred in a designated post-war year. In view of the continuing shortage of certain materials and the large amount of construction work to be done, the period has not as yet been designated but continuing consideration will be given to the matter.

THE PERSONAL INCOME TAX

I turn now to the personal income tax from which currently about one-third of our tax revenue is derived. I think there is no doubt that the personal income tax in the post-war period will continue to occupy a major place in our taxation structure. The extent and nature of the requirements of the government will necessitate dependence on the personal income tax as a major element in the taxation system. It should be, however, an income tax carefully revised to ensure its efficiency and its suitability to the post-war requirements.

As I have recalled to the house earlier, the present personal income tax was built up to its war-time level and system of collection at the source between 1939 and 1943. Many devices, including a somewhat elaborate system of refundable taxes, were adopted in order to make severe taxation tolerable in

the varying circumstances of different groups. As a general rule, very high taxation must be complicated unless parliament is willing to be ruthless in the face of the hardship of individual situations. I would go further and state that the longer very high taxation remains in force, the more complicated it will become through acceding to demands for special alleviation. In 1944, provision for the refundable portion of our personal income tax was rescinded though its calculation still enters into the calculation of the tax payable. This contributes what is now an unnecessary complication to the tax.

There are clear and obvious reasons for as early a reorganization and simplification of this tax as is practicable. These reasons have been very actively in mind. As I studied the matter, however, I became aware of other important considerations. A thorough and workmanlike overhaul of the whole personal income tax structure can be undertaken most effectively in the light of a realistic post-war level of taxation. In presenting the budget a few weeks after the cessation of hostilities, a budget for a fiscal year which is already half gone, the Minister of Finance cannot, with assurance, project his estimates so far ahead. The government has made certain financial and other proposals to the provinces. If they are accepted, the government will bring forward legislation for extended social security measures involving a contribution, which, whatever its form, will have an important bearing on the equitable distribution of income tax rates. If the proposals are rejected by the provinces and no general agreement is reached, the dominion is obligated to make some reduction in its tax rates and will have to consider what responsibilities it can assume, in those circumstances, in respect to any or all of the proposals.

Any reorganization of the personal income tax must be so carefully and thoroughly done that it will not have to be re-done in the early future. I have somewhat reluctantly reached the conclusion that, at this early date and in view of the contingencies involved in our discussions with the provinces, it is wise not to attempt to combine an immediate revision of the whole personal income tax structure with reduction of the tax.

My colleague, the Minister of National Revenue, has found, however, that it is possible, even though the law is not simplified, to introduce administratively a great simplification for the taxpayer himself. When the returns for 1945 are due it will be found that a greatly simplified system of calculation has

been introduced. This is not a matter of legislation but more specific information can be given the house on a convenient occasion.

The considerations which are important in contemplating some reduction of the personal income tax are those which I emphasized earlier. It is not possible, at this early date and with high continuing commitments, for a responsible Minister of Finance to propose lavish reductions in any major tax. He has to reckon with a future in which our commitments vis-a-vis the provinces are unknown. He has to plan for reasonable contraction of the budgetary deficit. I am impressed, however, with the great and harmful effect which our present high personal income tax is having in discouraging work and initiative in all groups at a time when we need a rapid expansion of employment and a willing mobility of labour. I laid great stress on these harmful effects in 1944 when the refundable portion of the tax affecting mainly the lower-income groups was removed. Conversely, I am convinced that a reduction in the personal income tax can make a major contribution to the stimulation of initiative and employment.

REDUCTION IN TAX PAYABLE

I think it wise therefore to recommend an interim measure of prompt and unquestionable relief. It is proposed that the tax levied shall be abated by 16 per cent dating from October 1, 1945. This abatement of 16 per cent will be applied to the current tax deductions at the source just as soon as the necessary change can be made. Since the change is applicable from October 1, the abatement on the whole tax liability for 1945 will amount to 4 per cent. For a full year, the abatement will be 16 per cent of the tax liability.

This is an interim measure to be applied immediately and to continue until it is possible to combine further abatement with a thorough overhaul of the whole rate structure of the personal income tax. I would hope that new arrangements with the provinces and further progress in the transition to peace-time conditions would have so clarified the outlook that it would be possible in the budget of 1946 to propose such a comprehensive revision.

ADJUSTMENT FOR FAMILY ALLOWANCES

In addition to the major change which I have just explained, there are a number of further important amendments being proposed. On the coming in force of the Family Allowances Act it was necessary, to implement the provision of that act, that steps

should be taken under the Income War Tax Act to adjust the deduction from income tax on account of dependent children in order to avoid duplication where family allowances were being paid in respect of such children. A table was issued at that time showing the adjustment of tax deductions at the source in accordance with this principle. For the sake of simplicity, the table was in the form of a recapture of a stated percentage of the family allowance according to the taxable income of the taxpayer. Its effect, however, was to reduce or eliminate the tax credit allowed for children dependent on the taxpayer and on behalf of whom family allowances had been received during the year. For the sake of simplicity also, the adjustment was approximate, care being exercised that no one was penalized and that on the whole taxable persons in the lower income groups retained some net gain as the combined result of family allowances and tax credits under the Income Tax Act. In view of the proposed tax abatement, it is necessary to provide a new scale of adjustments for 1946.

In the budget of last year I announced that there were certain complicated tax problems which I felt required more concentrated attention and more public consideration than the Department of Finance was able to give to them, and that I should recommend the appointment of two special commissions to report on these problems. These commissions were appointed, have conducted extensive inquiries and both of them have now reported.

ANNUITIES AND FAMILY CORPORATIONS

The report of the commission on the taxation of annuities and family corporations under the chairmanship of Mr. Justice Ives presented its report last spring and the report has been printed and made public. I have no doubt that members of the house are familiar with its recommendations. The government is prepared to accept all the main recommendations of this commission and I am proposing that, in so far as legislation is required, the necessary amendments should be introduced. Without entering into the arguments by which the commission supported its recommendations, I will state very briefly what the government's proposals are. It is proposed that in respect of contractual annuities, the capital element in such annuities should not be taxed. It is recommended that annual or periodic payments under wills or trusts should be subject to income tax only to the extent that they are paid out of income. In respect of pensions, the resolutions will provide for the

taxation of all pensions except that, where an employee has not in the past been entitled to a deduction from taxable income in respect of his contributions, an appropriate portion of the pension shall be exempt from tax when received by him or by his dependents. Earnings in the hands of trustees of pension funds are to be made exempt from income tax. The commission recommended that the present limits placed on deductions from income in respect of employers' and employees' contributions to an approved pension fund or plan should be removed. It is fair enough to exempt reasonable contributions to moderate pensions from tax and to tax the pensions as paid. There may, I think, however, be some danger in giving unlimited freedom in respect of really large contributions to pensions which may represent a major form of investment. I have noted that one of the particular concerns of the commission was that present allowances were too low in view of the fact, which the commission reported, that under present low rates of interest it might require as high as a nine per cent contribution from the employer and an equal amount from the employee to provide a pension equal to half the employee's salary. So as not to grant an undue amount of freedom before bringing all pension funds under continuing supervision, I am recommending that the deduction to be allowed to an employee annually in respect of his current contributions to a pension fund or to an employer in respect of any employee should not exceed \$900. Further, it is proposed to take steps to implement the recommendation of the commission that pension funds should be subject not only to the approval of the tax authorities but to continuing supervision.

The second main subject on which the Ives commission reported was concerned with the distribution of surpluses which had been accumulated by private closely-held companies from 1917 to 1939. The problem before the commission was to determine what, if any, abatement of income tax should be made on the distribution of such surpluses in the event of the death of a principal shareholder and for the payment of succession duties. In respect of private closely-held companies, the government proposes to implement the main recommendation of the commission on this point. It is proposed that surplus accumulated from 1917 to 1939 by such companies should be free from tax in the hands of the shareholders if the company pays a tax thereon as provided in the schedule recommended by the commission and if the company elects before December 31, 1947, to pay such tax.

The commission made a further recommendation to the effect that on the reorganization, winding-up or discontinuance of business of any private company, the undistributed income deemed to be a payment of dividend under the present law should be reduced by an amount equal to twenty per cent of the income after tax earned in 1940 and subsequent years. This is a very drastic modification of existing practice and of the basic view of income established in our tax laws. This particular recommendation did not carry the unanimous judgment of the commissioners and it is the government's view that it ought not to be implemented immediately but should be subjected to further study.

TAXATION OF CO-OPERATIVES

The second royal commission was directed to report on the taxation of cooperatives. Its report has been received only very recently and it is now being printed for tabling in the house and distribution. There has not as yet been time to give full study to the report but, if it is possible to do so, I shall introduce in the committee on ways and means further resolutions for such changes in taxation as seem desirable after consideration of the recommendations of this commission.

Several less important amendments which are being proposed in respect of personal income tax I shall mention only briefly. It is proposed to drop the requirement by which those disbursing dividends, registered interest and royalties are required to deduct at the source seven per cent on behalf of the taxpayer. This requirement is of little value in obtaining current payment of taxes which the taxpayer himself is required to pay in instalments. The requirement that the disbursers of these payments must report the amount of the payments to the inspector of income tax will of course be retained and it is this which is the important provision as far as ensuring the reporting of income is concerned. The elimination of the seven per cent deduction at the source will save a very considerable amount of clerical work and some confusion to small taxpayers.

MEDICAL EXPENSES

The house will recall that we have had in the income tax law for some time an allowance on account of unusual medical expenses which was introduced in order to provide some alleviation under circumstances which frequently gave rise to hardship. The alleviation is one, I believe, which has been much appreciated. It is proposed to enlarge the provision somewhat to allow in the event

of the death of the taxpayer the expenses paid by the estate of the deceased to qualify for the allowance and to allow the deduction from taxable income to be taken in the year prior to the death of the deceased.

ARMED FORCES

There has been a special exemption in the Income Tax Act for those members of the armed forces whose duties were performed afloat or in aircraft, and a similar exemption was allowed to civilians employed in flying by the Royal Air Force Transport Command. Now that active hostilities have ceased, the occasion for the exemption has disappeared and the exemption is being withdrawn.

ALBERTA BONDS

Last spring in connection with plans which were being worked out for the repayment of Alberta bonds and in an attempt to forestall any speculative gain on the part of those who might trade in Alberta bonds, I undertook to recommend a special tax of 100 per cent on profits made through the purchase of such bonds. I shall therefore recommend the imposition of a 100 per cent tax on any profits made on Alberta bonds purchased between January 31, 1945, and August 7, 1945. By the latter date the full terms of the offer of the Alberta government had been made known and time had been given for full publicity.

I have received strong representations in favour of a change in the law which would allow the acceptance of the average income over a period of years as the taxable income of farmers and fishermen whose incomes are subject to great variability on account of weather as well as of markets. I have been impressed with the reasonableness of the requests, though hitherto the proposals made have involved collecting a tax from farmers and fishermen in bad years in which they might actually have had a loss. I am hopeful, however, that a solution can be found to the problem and I am prepared to give the most sympathetic consideration to the inclusion of a provision of this sort in a revised income tax law.

There have been a considerable number of inquiries as to when the refundable portion of the personal income tax is to be returned to the taxpayer. It is provided in the act that in the case of taxes paid on income for the 1942 taxation period, repayment shall be made not later than the end of the second fiscal period commencing after the cessation of hostilities. That means that refunds on 1942 taxes must be paid not later than March 31, 1948. Refundable taxes for 1943 must be re-

paid not later than March 31, 1949, and those for the six months of 1944 not later than March 31, 1950. These are the latest dates at which the refunds can be made. It is open to the governor in council to make refunds at earlier dates but there is no provision for the return of these funds selectively to some individuals and not to others. The present time does not appear to the government to be a period in which such a general refunding of these sums is desirable owing to the strong inflationary pressures which still exist. Under changed conditions, the government would give consideration to the payment of these refunds without necessarily waiting till the dates specified.

SUCCESSION DUTIES

There are two simple amendments to the Succession Duty Act which I shall propose. In accordance with the recommendation of the Ives commission, it will be recommended that no succession duty shall be levied on the value of any pension receivable as taxable income with appropriate apportionment in the event of a pension being partly taxable and partly non-taxable. There has not hitherto been in our Succession Duty Act any provision for alleviation of succession duties in respect of so-called quick successions. Having examined the legislation in the United Kingdom and the United States on this matter, I am recommending provision for a percentage reduction in succession duties where the same property passes again as a result of a second death within a period of five years from the first death on which the property became subject to succession duties.

There is quite a number of amendments to the Customs Tariff Act but most of them are matters of redefinition and administrative convenience rather than of major importance. I shall defer my explanations of them until the resolutions are before the house.

CONCLUSION

This completes the proposals which are being put forward in this budget. The expected effects on the revenue are summarized in a table which I shall place on *Hansard*:

Loss of Revenue Resulting from Budget Proposals		
	(millions of dollars)	
	Full year	Current fiscal year
War exchange tax.....	60	30
Sales tax.....	30	15
Excess profits tax.....	95	10
Personal income tax....	115	45
	300	100
Loss of refundable portion of excess profits tax	72	7

On a full year the loss of revenue from these interim tax reductions will amount to approximately \$300 million. In the current fiscal year, the reduction in the excess profits tax which dates from January 1 next will have only nominal effect as even firms operating on a calendar year basis will not have remitted taxes on the new schedule before March 31. The loss of revenue from the personal income tax will be somewhat less than half of the annual loss since some payments on 1945 income are not due until April 30. The estimated loss of revenue in 1945-46 is therefore \$100 million. This will reduce our estimated net tax revenues from \$2,265 million to \$2,165 million and increase the probable deficit from \$2,150 million to \$2,250 million.

In recommending these interim tax reductions, my major concern has not been the financial results of the current fiscal year. I have been concerned with making such reductions as would speed up the transition to peace-time conditions and contribute promptly to the expansion of enterprise and employment. I have been willing therefore to look beyond the end of this fiscal year and, despite uncertainty as to the tax fields which we can occupy exclusively in the future, recommend these immediate steps which will have the effect of maintaining the incomes from which all government revenues are derived.

In a period when the transition to peace-time employment is proceeding rapidly and government expenditures are being replaced by the expenditures of the public on investment and consumption, the right course seems to me to encourage that shift by tax reduction and endeavour in the months ahead to reduce our war expenditure as rapidly as possible.

There is another word to be said. By reducing taxes, we are leaving a somewhat larger deficit than otherwise to be covered by borrowing. As I have said before, our total requirements over the next twelve months are likely to be as much as \$4,000 million. With these tax reductions, we cannot expect to cover more than about \$2,000 million by revenues. A victory loan campaign is being launched this month to obtain from the public the funds necessary to finance most of the remainder. No other victory loan will be offered in the next twelve months. The public will be asked to subscribe their accumulated savings and to pledge their savings over the next twelve months in the purchase of bonds. I cannot emphasize too strongly the continuing need for savings. There will be over the

months ahead some legitimate and increasing expenditure of war-time savings by individuals in acquiring houses and in making some of the purchases deferred for the war. As one who has had some responsibility for encouraging war-time savings, I am anxious that they should meet the real needs of the individual whether those be improved housing, better standards of living or better provision for old age. I do not want to see them dissipated as were savings after the first world war in unnecessary spending at inflated prices. There is still great national need for systematic saving and prudent spending. Hostilities have ended but men have still to be brought home and reintroduced to civil employment. Our world trade must be reestablished and our customers temporarily financed. The appeal of the government for this victory loan is still urgent and it is a national appeal.

I referred earlier in this speech to the road which we have travelled in financial and economic policy during the war. The recommendations of this Budget are that we now begin to direct our course toward the needs and requirements of a peaceful future. We are making good progress in the transition. There are difficulties and there will be setbacks, but they are proving less rather than more than we anticipated. If we move in good order and with the interest of the nation as a whole at heart, we can carry the achievements of the war into the achievements of peace in the months and years to come.

RESOLUTIONS

Income War Tax Act

Resolved that it is expedient to amend the Income War Tax Act, and to provide

1. That for 1945 and subsequent taxation years the capital element in contractual annuities be exempt from tax;
2. That for 1945 and subsequent taxation years annual or periodic payments received under the provisions of a will or trust be considered taxable income to the extent only that they are paid or deemed to be paid out of the income of the estate or trust;
3. That the income of all approved superannuation or pension funds or plans in 1946 and subsequent taxation years be exempt from tax in the hands of the trustees;
4. That all payments of superannuation or pension to former employees or their dependents in 1946 or subsequent taxation years be taxable income, provided that, where a former employee has not in the past been entitled to a deduction from income in respect of his contribution to an approved fund or plan, only a proportionate part shall be taxable;
5. That the limitations on deductions for contributions in 1946 or subsequent taxation years by an employer or an employee to a superannuation or pension fund or plan be increased to \$900, and that the percentage limitation in respect of the employer's contribution be removed;
6. That the exemptions and deductions for 1946 and subsequent taxation years in respect of a superannuation or pension fund or plan be conditional upon the continuing approval of the fund or plan by the Minister of National Revenue;
7. That a payment on or after October 13, 1945, to an employee in respect of loss of office be deemed to be income of such employee over a period of five years;
8. That, in lieu of the taxes otherwise payable by shareholders of a private closely-held company in respect of earned surplus accumulated by the company from the beginning of its 1917 fiscal period to the end of its 1939 fiscal period, the company be allowed to elect to pay a tax equal to the aggregate of the taxes calculated in respect of the allocable portion of each shareholder determined in accordance with the following table:

On the first \$25,000, or any portion thereof, 15 per cent,	\$3,750 on an allocable portion of \$25,000 and 18 per cent on the amount by which the portion exceeds \$25,000 and does not exceed \$50,000,	\$8,250 on an allocable portion of \$50,000 and 21 per cent on the amount by which the portion exceeds \$50,000 and does not exceed \$100,000,	\$18,750 on an allocable portion of \$100,000 and 24 per cent on the amount by which the portion exceeds \$100,000 and does not exceed \$200,000,	\$42,750 on an allocable portion of \$200,000 and 27 per cent on the amount by which the portion exceeds \$200,000 and does not exceed \$300,000,	\$69,750 on an allocable portion of \$300,000 and 30 per cent on the amount by which the portion exceeds \$300,000 and does not exceed \$400,000,	\$99,750 on an allocable portion of \$400,000 and 33 per cent on the amount by which the portion exceeds \$400,000;
9. That the provision contemplated by Resolution 8 be applicable only if the company elect on or before December 31, 1947, and that the tax be payable in four annual instalments, the first one being due on December 31, 1947, with interest at 4 per centum per annum on each instalment from December 31, 1946, until due and thereafter until paid at 7 per centum per annum;	10. That for 1944 and subsequent taxation years the provision for deductions of unusual medical expenses be extended in the event of the death of the taxpayer either in the taxation year or subsequently to include expenses incurred and paid either by him or by his estate in a 12-month period commencing in the taxation year;	11. That the requirement to deduct 7 per cent tax at source on payment of interest, dividends or royalties be discontinued after December 31, 1945;	12. That for 1946 and subsequent taxation years the exemption of the service pay and allowances of members of the Canadian naval,			

military and air forces while on active service in Canada or anywhere in the western hemisphere whose duties are of such a character as are required normally to be performed afloat or in aircraft be rescinded;

13. That for 1946 and subsequent taxation years the exemption of one-third of the remuneration paid to the civilian officers or employees of the Royal Airforce Transport Command whose duties are of such a character as are required normally to be performed in aircraft be rescinded;

14. That the exemption of limited dividend housing corporations be broadened to include institutional housing corporations and institutional holding companies as defined by The National Housing Act, 1944;

15. That a special tax be imposed equal to 100 per cent of the profits made by persons who between January 31, 1945, and August 7, 1945, purchased bonds or debentures of or guaranteed by the province of Alberta which were outstanding on January 31, 1945, and were included in the debt reorganization proposal of the provincial government, dated July 16, 1945, such profits to be the difference between the purchase price and the selling price of the bonds or debentures, if sold by such purchasers, or the difference between the purchase price and the total value of rights accruing to the purchasers on implementation of the provincial government conversion plan, as the case may be;

16. That the right of a corporation whose principal business is the production, refining, or marketing of petroleum or petroleum products to deduct 40 per centum of the exploration costs and drilling costs of oil wells which prove to be unproductive be extended to wells spudded in before the thirty-first day of December, 1946;

17. That the right of a corporation, association, syndicate or exploration partnership, formed for the purpose of exploring and drilling for oil, to deduct 26½ per centum of exploration and drilling expenses be extended to expenses incurred in 1946;

18. That the right of a corporation, association, syndicate or exploration partnership, formed for the purpose of exploring and drilling for natural gas, to deduct 30 per centum of exploration and drilling expenses be extended to expenses incurred in 1946;

19. That a corporation whose chief business is that of mining or exploring for minerals be allowed to deduct 26½ per centum of prospecting, exploration and development expenses incurred in 1946 in searching for minerals;

20. That the right of corporations, associations, syndicates or exploration partnerships whose principal business is production, refining or marketing of petroleum or exploration or drilling for petroleum to deduct 50 per centum of expenditures made directly or indirectly in connection with deep test oil wells which prove to be unproductive be extended to wells spudded in before the thirty-first day of December, 1946.

✓21 (a) That in respect of persons other than corporations the tax for 1945 be reduced by 4 per cent of the aggregate of the normal tax, the graduated tax and the investment surtax;

(b) That in respect of persons other than corporations the tax for 1946 be reduced by 16 per cent of the aggregate of the normal tax, the graduated tax and the investment surtax;

✓22. To provide for an appropriate additional tax dependent on the income of the taxpayer in cases where family allowance payments are received in order to adjust the benefits in respect of dependent children.

Excess Profits Tax Act

Resolved that it is expedient to amend the Excess Profits Tax Act, 1940, and to provide

1. That individuals and partnerships be exempt from the 15 per cent tax on total profits of 1946;

2. That the tax on excess profits of individuals and partnerships in 1946 be reduced from 100 per cent of the excess profits to 60 per cent of that portion of the excess profits which are in excess of 117·647 per cent of the standard profits, and that the provision for refund of a portion of the tax be repealed;

3. That for 1946 the following rates of tax apply to corporations:

(a) 22 per cent of the profits of corporations and joint stock companies before deduction therefrom of any tax paid thereon under the Income War Tax Act;

(b) in the case of corporations and joint stock companies which have filed consolidated returns, 20 per cent of the profits which are in excess of 117·241 per cent of the standard profits of such consolidated companies;

(c) in the case of other corporations and joint stock companies 20 per cent of the profits which are in excess of 116·66 per cent of the standard profits;

and that the provision for refund of a portion of the tax be repealed;

4. That on the profits of 1946 and subsequent years the minimum standard profits of taxpayers be increased from \$5,000 to \$15,000, and that where a taxpayer's standard profits are on January 1, 1946, in excess of \$5,000 but less than \$25,000 they be increased by one-half the difference between their present amount and \$25,000;

5. That the special rate of tax applicable to businesses commencing after June 24, 1944, not apply to cases where in the opinion of the Minister there has been no *bona fide* commencement of a new or substantially different business;

6. That the exemption of the profits of corporations derived from the operation of any base metal or strategic mineral mines be extended to the profits of corporations derived from the operation of gold mines and industrial mineral mines, and that such exemption be extended to the profits of such mines which come into production after January 1, 1946.

Dominion Succession Duty Act

Resolved, that it is expedient to amend The Dominion Succession Duty Act, and to provide

1. That no duty shall be leviable on the value of any pension or portion thereof which is receivable as taxable income within the meaning of The Income War Tax Act.

2. Where the minister is satisfied that succession duty has become payable upon or with respect to the succession to any property and that subsequently within five years succession duty has again become payable upon or with

respect to the succession to the same property or any part thereof, on the death of the person to whom the property passed on the first death, the amount of succession duty payable on the second death with respect to the succession to such property shall be reduced as follows:

- (a) where the second death occurs within one year of the first death, by fifty per centum;
- (b) where the second death occurs within two years of the first death, by forty per centum;
- (c) where the second death occurs within three years of the first death, by thirty per centum;
- (d) where the second death occurs within four years of the first death, by twenty per centum;
- (e) where the second death occurs within five years of the first death, by ten per centum.

Special War Revenue Act

Resolved that it is expedient to amend the Special War Revenue Act, and to provide

1. That the consumption or sales tax shall not apply to machinery and apparatus and complete parts thereof which, in the opinion of the Minister of National Revenue, are to be used directly in the process of manufacture or production of goods; provided that this exemption shall not apply to office equipment or motor vehicles;

2. That the retail purchase tax shall not apply to goods valued at not more than \$100 included in baggage accompanying residents returning

from abroad after an absence of not less than 48 hours such as is presently allowed in the case of other excise taxes;

3. That the 10 per cent war exchange tax be rescinded;

4. That the excise tax of 25 per centum imposed on fur and furs be reduced to 10 per centum, and that on a date to be determined by the Minister of National Revenue the existing exemption from sales tax of fur garment manufacturers as small manufacturers be withdrawn;

5. That the net premium tax on insurance companies be reduced by a credit for premium tax paid in any other country;

6. That enactments founded on these resolutions come into force on the thirteenth day of October, 1945.

The Customs Tariff

1. Resolved, that Schedule A to the Customs Tariff be amended by striking thereout tariff items 72e, 186, 192b, 197d, 208, 216a, 219e, 272b, 326e, 386(p), 398, 399, 438b, 438c, 438d, 438i, 445o, 445p, 446c, 454, 462a, 616(iii), 648a, 653, 669, 670, 700a, 703 and 756, the several enumerations of goods respectively and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said Schedule A:

Tariff Item	44852—4	British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B. P. Tariff	Intermediate Tariff	General Tariff
72e	Bent grass seed, not to include red top grass seed.....	15 p.c.	30 p.c.	30 p.c.	15 p.c.	30 p.c.	30 p.c.
90e	Vegetables, frozen.....	10 p.c.	25 p.c.	30 p.c.	15 p.c.	32½ p.c.	35 p.c.
186	Paper calendered to between .006 and .0085-inch thickness adapted for the manufacture of shot shells, when imported by manufacturers of shot shells for use exclusively in the manufacture of such articles in their own factories; and felt board sized and hydraulic pressed, and covered with paper or uncovered, adapted for the manufacture of gun wads.....	Free	Free	Free	Free 15 p.c.	Free 22½ p.c.	Free 25 p.c.
197d	Tissue paper, not coated nor impregnated, when imported by manufacturers of stencils for duplicating machines for use exclusively in the manufacture of such stencils in their own factories.....	Free	10 p.c.	25 p.c.	Free 15 p.c.	10 p.c. 22½ p.c.	25 p.c.
208	Boracic acid and borax in packages of not less than twenty-five pounds weight; hydrofluosilicic acid; tannic acid; ammonia, sulphate of; cyanide of potassium; cyanide of sodium and cyanogen bromide; antimony salts, viz.: tartar emetic, chloride and lactate (antimoline); arsenous oxide; precipitate of copper (crude); verdigris or sub-acetate of copper, dry; sulphur and brimstone, crude or in roll or flour; argols; iodine, crude; bromine; sulphide of arsenic; carbon bisulphide, n.o.p.....	Free	Free	Free	Free	Free	Free
219e	Chloropicrin, ethylene oxide, methyl bromide, methyl formate, cyanides, carbon bisulphide, acrylonitrile, or mixtures containing any of these, for use in combating destructive insects and pests.....	Free	Free	Free	Free Free	Free 20 p.c.	Free 25 p.c.
272b	Paraffin wax, n.o.p.....	15 p.c.	22½ p.c.	25 p.c.	15 p.c.	22½ p.c.	25 p.c.
272c	Paraffin wax when imported for use exclusively in the manufacture of candles.....	10 p.c.	12½ p.c.	25 p.c.	10 p.c.	22½ p.c.	25 p.c.

Tariff Item	British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
				B. P. Tariff	Intermediate Tariff	General Tariff
326e	Articles of glass, not plate or sheet, designed to be cut or mounted, articles of glassware, when imported by manufacturers of silverware to be used in receptacles made of or electro-plated with precious metals or to be equipped with tops made of or electro-plated with precious metals, in their own factories.....	Free	10 p.c.	22½ p.c.	Free 10 p.c.	22½ p.c. 32½ p.c.
326k	High thermal shock resisting glass bowls when imported by manufacturers of coffee makers for use exclusively in the manufacture of such articles in their own factories.....	Free	Free	25 p.c.	Free	25 p.c.
386	(p) Sheets or strip, of iron or steel, hot or cold rolled, with silicon content of 75 p.c. or more, when imported by manufacturers of electrical apparatus, for use in the manufacture of electrical apparatus in their own factories.....	Free	12½ p.c.	Free 7½ p.c.	12½ p.c. 20 p.c.	12½ p.c. 20 p.c.
398	Pipes and tubes, of steel, seamless, cold drawn, plain ends, valued at not less than five cents per pound, n.o.p.:— (i) Of a class or kind not made in Canada..... (ii) N.o.p.....	Free Free	5 p.c. 20 p.c.	5 p.c. 20 p.c.	Free Free	5 p.c. 5 p.c.
398c	Welded stainless steel tubes, not more than 6 inches in diameter, when imported by manufacturers of condensers or evaporators for use exclusively in the manufacture of condensers or evaporators in their own factories.....	Free	10 p.c.	30 p.c.	15 p.c.	27½ p.c.
399	Pipes, tubes and flues, of wrought iron or steel, with plain, swelled or thickened ends, when imported for use exclusively in the manufacture or repair of pressure parts of boilers, pulp mill digesters and vessels for the refining of oil, under regulations prescribed by the Minister:— (i) Of a class or kind not made in Canada..... (ii) N.o.p.....	Free Free	20 p.c.	Free Free	Free Free	Free Free

434c Trucks of welded design with tubular frame, cast steel cross members, rubber mountings and rubber inserted wheels, of a class or kind not made in Canada, and body shells of welded sheet steel, for use in the construction of street railway cars, not to include electric motors or magnetic truck brakes; complete parts of the foregoing.....

10 p.c. 35 p.c. Free

438b Bearings, clutch release; bearings, graphite; bearings, steel or bronze backed, with non-ferrous metal lining; bushings, graphited or oil impregnated; ceramic insulator spark plug cores, not further manufactured than burned and glazed; commutator, printed or decorated or not, without fittings; commutator copper segments; commutator insulating and rings; tapered discs of hot rolled steel, with or without center hole, for disc wheels; distributor rotors and cam assemblies; door bumper shoes; electric wiring terminals, sockets, fittings and connectors and parts thereof, not to include battery terminals; gaskets of any material except cork or felt, composite or not; ignition contact points; keys for shafting; lenses of glass for head, tail, dome, signal and cowl or parking lamps, and for light reflectors; lock washers; piston ring castings in the rough, with or without gates and fins removed; rails of lock seam section, corners, locks and catches, unplated ventilators and parts thereof, the foregoing being of metal other than aluminum, for the manufacture of window sashes for bus bodies; steel bolts, capped with stainless steel; switches for lamps, heaters and defrosters and parts thereof; vacuum control assemblies; vulcanized fibre in sheets, rods, strips and tubing; all of the foregoing when of a class or kind not made in Canada and for use in the manufacture or the repair of the goods enumerated in tariff items 424 and 438a, or for use in the manufacture of parts therefor.....

30 p.c. 35 p.c. Free

30 p.c. 35 p.c. Free

30 p.c.

Free

Free

30 p.c.

Free

Tariff Item	British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
				B. P. Tariff	Intermediate Tariff	General Tariff
438c	Ammeters; arm rests and wheel housing lining of impregnated fibre, pressed to shape; axle housings, one piece welded, machined or not; carburetors and parts thereof; chassis frames and steel shapes for the manufacture thereof; cigar and cigarette lighters, whether in combination with a cigarette holder or not, including base, and parts thereof; control ventilator gear box; cylinder lock barrels, with or without sleeves and keys thereof; dash heat indicators and parts thereof; electric gear shift switches and parts thereof; engine speed governor units and parts thereof; front axle cross channel king pin support section assembly of steel, in the rough; fuel pumps, vacuum pumps and combinations thereof and parts thereof; gasoline gauges and parts thereof; hinges and parts thereof, finished or not, for bodies; horns and parts thereof; instrument bezel assemblies and parts thereof; instrument board lamps; locks, electric ignition, steering gear, transmission, or combinations of such locks, and parts thereof; mouldings of metal with nails set in position, lead filled or not; oil filters and parts thereof; oil gauges and parts thereof; pipe lines of tubing, rigid or flexible, covered or not, with or without fittings, and tubing therefor, for oil, fuel, air, or liquid for actuating hydraulic brakes; purifiers for air, and parts thereof; purifiers for oil or gasoline, parts thereof and brackets and fittings therefor; radiator, hood and other grills, assembled or not, but not polished nor plated, and not to include finish or decorative moulding; radiator ornaments, and hood lift lock ornaments, unplated, and parts thereof; radiator shutter assemblies, automatic; radiator water gauges; radiator shells and parts thereof, not plated nor metal finished in any degree; shackles, bearing spring, and parts thereof; speedometers and parts thereof; spring covers of metal and closing strips or shapes thereof; stampings, body, cow, hood, fender and instrument board, of metal in the rough, trimmed or not, but not metal finished in any degree; starter switch assembly and parts thereof; steering wheels, rims and spiders thereof; sun visor blanks of gypsum weatherboard; thermos-					

tats and parts thereof; throttle, spark and choke assemblies, including buttons therefor, and parts thereof; tire clamping rings of steel, plated or not; universal joint ball assemblies; voltage control regulators; wind-shield wipers and parts thereof; all of the foregoing, when of a class or kind not made in Canada and for use in the manufacture or the repair of the goods enumerated in tariff items 424 and 438a or for use in the manufacture of parts therefor.	30 p.c.	Free	20 p.c.	Free	30 p.c.	30 p.c.
(1) Provided, that if the above articles are imported for use as original equipment by a manufacturer of automobiles, motor vehicles, electric trackless trolley buses or chassis enumerated in tariff items 438a and 424 whose total factory output during the year in which importation is sought does not exceed ten thousand complete automobiles, motor vehicles, electric trackless trolley buses or chassis, and provided that not less than forty per centum of the factory cost of production of such automobiles, motor vehicles, electric trackless trolley buses or chassis, not to include duties and taxes, is incurred in the British Empire, the rates of duty under this item shall be.....	25 p.c.	Free	Free	Free	25 p.c.	25 p.c.
(2) Provided, that if the above articles are imported for use as original equipment by a manufacturer of automobiles, motor vehicles, electric trackless trolley buses or chassis enumerated in tariff items 438a and 424 whose total factory output during the year in which importation is sought exceeds ten thousand automobiles, motor vehicles, electric trackless trolley buses or chassis, and provided that not less than sixty-five per centum of the factory cost of production of such automobiles, motor vehicles, electric trackless trolley buses or chassis, not to include duties and taxes, is incurred in the British Empire, the rates of duty under this item shall be.....	25 p.c.	Free	Free	Free	25 p.c.	25 p.c.
(3) Provided that the Governor in Council may make such regulations, if any, as are deemed necessary for carrying out the provisions of this item.	Free	Free	Free	Free	Free	Free
Front and rear axles; brakes; clutches; internal combustion engines; steering gears; magnetos; rims for pneumatic tires larger than thirty inches by five inches; transmission assemblies, hydraulic or fluid couplings and torque convertors; drive shafts; universal joints; steel road wheels; and parts of the foregoing, when of a class or kind not made in Canada, and imported by manufacturers of the goods enumerated in tariff items 424 and 438a for use only in the manufacture of motor trucks, motor buses and electric trackless trolley buses, or for the manufacture of chassis for the same.....	27½ p.c.	Free	17½ p.c.	Free	27½ p.c.	25 p.c.

Tariff Item	British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
				B. P. Tariff	Intermediate Tariff	General Tariff
438i	(1) Provided that if the above articles are imported for use as original equipment for motor trucks, motor buses and electric trackless trolley buses, or for chassis for the same, by a manufacturer of the goods enumerated in tariff items 424 and 438, and provided also that during the year during which importation is sought, not less than forty per centum of the factory cost of production of such motor vehicles and chassis therefor, not to include duties and taxes, is incurred in the British Empire, the rates of duty under this item shall be..... (2) Provided that the Governor in Council may make such regulations, if any, as are deemed necessary for carrying out the provisions of this item.	Free	27½ p.c.	Free	7½ p.c.	27½ p.c.
4450	Body bottom cross members and steel shapes for the manufacture thereof; bumpers, front and rear, and parts thereof, including spring steel bumper plates; casket tables or platforms for hearse; destination and route sign assemblies, illuminated or not, and parts thereof; direction signals, illuminated or not; door and step mechanism, hand, vacuum or air operated, and parts thereof; door locks and catches and parts thereof; electric switches, buzzers, bells, push buttons, fuse assemblies and parts thereof; forward drive control conversion assemblies and parts thereof; lamps of all kinds, illuminating and indicating, including sockets, flanges, terminals, glassware, lenses and gaskets therefor, assembled or not, but not to include lamp bulbs; metal stampings, oiled and primed or not, and assemblies thereof; rubber fenders; seat operating mechanisms; ventilators, including motor driven fan type, and grills, and parts thereof; window operating mechanisms; all of the foregoing when imported to be used only in the manufacture of motor truck bodies, motor bus bodies, electric trackless trolley bus bodies, motor ambulances and hearse.....	Free	20 p.c.	Free	Free	20 p.c. Various

pieces, gaskets and field covers, separate or assembled for use in speakers with mounting diameter not exceeding $6\frac{1}{2}$ inches; cones, spiders, spider suspensions, voice coils and voice coil dust covers, separate or assembled; magnetic structures and parts thereof for permanent magnet speakers; glass dial crystals and scales and metal dials or scales made by the silkscreen process; metal cabinet escutcheons without crystals, plain or finished; high frequency circuit switches and essential components thereof; high frequency iron cores with or without inserts moulded therein and metal powders for use in the manufacture thereof; motors and gears for automatic tuning; radio frequency ceramics; raw low loss mica; sheets and punchings of low loss mica; tube shields and parts thereof; vibrators; vulcanized fibre in sheets, rods, strips or tubing; high frequency coil forms and tubing having an outside diameter not exceeding one inch; for use in the manufacture or the repair of the goods enumerated in tariff items 445d, 597a, and other apparatus using radio tubes, or for use in the manufacture of parts therefor.....	Free	30 p.c.	30 p.c.
Ceramic parts; copper alloys for welding; getter and getter assemblies; glass parts; glass bulbs, glass tubing, glass cane; mica parts; mica assemblies; wire of molybdenum and molybdenum alloy; nickel and nickel alloy tubing, wire, ribbon, screen and strip, coated or not, carbonized or not; tungsten and tungsten alloy and zinc wire; wire and strip of silver, copper, chrome copper, chrome iron or plated iron; molybdenum strip; tantalum wire and strip; copper tubing, rod and strip; iron strip; leads, spuds and welds; hooks and supports; top cap assemblies; graphite anodes; heaters and filaments; metal parts, coated or not, carbonized or not; all the foregoing when imported by manufacturers of radio tubes and parts therefor, for use exclusively in the manufacture of such articles, in their own factories.....	Free	30 p.c.	30 p.c.
Golf shafts of seamless steel, coated or not.....	Free	15 p.c.	15 p.c.
Welding rods or welding wires of all kinds, whether or not flux-coated.....	Free	35 p.c.	35 p.c.
Frames not more than sixteen inches in width, clasps and fasteners (not to include slide or hookless fasteners), when imported by manufacturers of purses, chatelaine bags or reticules for use exclusively in the manufacture of purses, chatelaine bags or reticules, in their own factories, under regulations prescribed by the Minister; parts of the foregoing...	Free	12 $\frac{1}{2}$ p.c.	20 p.c.
		20 p.c.	35 p.c.
		12 $\frac{1}{2}$ p.c.	20 p.c.
		30 p.c.	35 p.c.

Tariff Item	British Preferential Tariff	General Tariff	Present Rates		
			B. P. Tariff	Intermediate Tariff	General Tariff
462a	Photographic cameras and equipment, and complete parts of the foregoing, for use by professional photographers and commercial photo-finishingers in their own business, as follows:— Cameras for professional purposes, for making negatives 4 $\frac{3}{4}$ inches by 6 $\frac{1}{2}$ inches and larger, and the following accessories for use with such cameras: lenses, shutters, exposure meters, range finders, film and plate holders, lens hoods, lens boards, ground glass carriages, reducing backs, reversible adapter backs, lantern slide attachments, film sheaths, combination paper and plate holders, kits, carrying cases, camera stands, camera tripods, camera tripod tops, vignettes, diffusion disks, diffusion disk holders, colour filters, colour filter holders, polarizing screens, polarizing screen holders and backgrounds.....	Free	Free	Free	Free 30 p.c.
	Printers, enlargers, heaters, dryers, mounting presses, print washers, automatic film processors, printing frames and tanks for developing, fixing and washing.....	Free	Free	Free	Free 25 p.c.
616	(iii) Latex, being crude rubber in liquid form, not compounded beyond the addition of preservatives	Free	Free	Free	Free
648a	Diamonds, rough or unset, and not advanced in condition or value from their natural state by cleaving, splitting, cutting, or other process, whether in their natural form or broken.....	Free	Free	Free	Free 40 p.c.
648b	Diamonds, n.o.p., advanced in condition or value from the natural state by cleaving, splitting, cutting or other process.....	Free	10 p.c.	Free	Free
653	Brushes of all kinds, n.o.p.....	15 p.c.	30 p.c.	15 p.c.	30 p.c.
669	Emery, corundum, garnet, and artificial abrasives, n.o.p., ground or unground.....	Free	Free	Free	Free
670	Paper, cloth, and combinations of paper and cloth, coated with natural or artificial abrasives or with a combination of natural and artificial abrasives, and manufactures of all the foregoing; grinding				

703	wheels, stones or blocks, manufactured by the bonding together of either natural or artificial abrasives; manufactures of emery, corundum, garnet, or artificial abrasives, n.o.p.....	10 p.c.	20 p.c.	30 p.c.	10 p.c.	25 p.c.	30 p.c.
	(a) Travellers' baggage, under regulations prescribed by the Minister.	Free	Free	Free	Free	22½ p.c.	25 p.c.
	(b) Goods valued at not more than one hundred dollars included in the baggage accompanying residents of Canada returning from abroad after an absence from Canada of not less than forty-eight hours and acquired by them for personal or household use or as souvenirs or gifts, but not bought on commission or as an accommodation for other persons or for sale, under regulations prescribed by the Minister.	Free	Free	Free	Free	Free	Free
725	Provided that a resident of Canada shall not be entitled to the exemption herein granted within a period of four months from the date of the last exemption allowed, nor shall the exemption be allowed on alcoholic beverages in excess of one quart, or on tobacco in excess of fifty cigars, two hundred cigarettes and two pounds of manufactured tobacco.						
	Provided further that goods entitled to entry under this Item shall be exempt from all imposts, notwithstanding the provisions of this Act, The Customs Tariff Amendment Act, 1939 or any other Act.						
	Paperboard or fibreboard, single ply, not coated or impregnated, in rolls containing not less than five hundred square feet, when imported by manufacturers of impregnated sooklining base, innersoling, welting, or similar materials, for use only in the manufacture of such materials in their own factories.	Free	10 p.c.	25 p.c.	15 p.c.	25 p.c.	35 p.c.

2. Resolved, that any enactment founded upon the foregoing resolutions to amend the Customs Tariff or Schedules thereto shall be deemed to have come into force on the thirteenth day of October, one thousand nine hundred and forty-five, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

APPENDIX
TO
THE BUDGET, 1945-46

Budget Papers presented by the
Honourable J. L. Ilsley, M.P., for the
information of Parliament on the occasion of the
Budget of 1945-46

- A. Review of Government Accounts, 1944-1945.
- B. Tables on Economic Conditions, 1944-1945.

DOMINION OF CANADA

A. GOVERNMENT ACCOUNTS, 1944-45

COMPARATIVE SUMMARY OF REVENUES AND EXPENDITURES

1. The figures that appear in this white paper are final, not estimated as in previous years. The following tables show, by main categories and in detail, revenues, expenditures and the increase in net debt for the fiscal year 1944-45, together with comparable figures for the four preceding fiscal years.

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS
(Thousands of Dollars)

—	1940-41	1941-42	1942-43	1943-44	1944-45
	\$	\$	\$	\$	\$
TAX REVENUE—					
Direct Taxes—					
Direct Taxes on Incomes—					
Individual Income Tax, including					
National Defence Tax.....	103,535	296,139	534,138	813,435	767,755
Tax on Interest and Dividends.....	12,282	26,643	26,711	25,671	27,053
Taxes on Rents and Royalties.....	760	1,626	1,370	1,272	1,546
Corporation Income Tax.....	131,566	185,836	347,970	311,379	276,404
Excess Profits Tax.....	23,995	135,168	454,581	468,718	465,805
Total Direct Taxes on Incomes.....	272,138	645,412	1,364,770	1,620,475	1,538,563
Succession Duties.....		6,957	13,273	15,020	17,251
Total Direct Taxes.....	272,138	652,369	1,378,043	1,635,495	1,555,814
Indirect Taxes—					
Customs Import Duties.....	130,757	142,392	118,963	167,882	115,091
Excise Duties—					
Spirits, malt, etc.....	34,140	46,776	65,594	65,922	72,133
Cigars, cigarettes and tobacco.....	55,417	65,050	76,372	79,906	83,142
Licences.....	45	40	38	37	37
Less Refunds.....	—994	—1,775	—3,283	—3,741	—3,390
Total Excise Duties.....	88,608	110,091	138,721	142,124	151,922
Excise Taxes—					
Taxes on Commodities—					
Sales Tax.....	184,536	246,553	250,478	339,256	404,109
War Exchange Tax.....	61,932	100,874	94,553	118,913	98,164
Automobiles, rubber tires and tubes.....	11,206	16,742	3,062	6,000	6,480
Beverages.....		6,247	14,119	19,059	19,442
Candy and chewing gum.....			8,185	12,602	12,874
Cigars, cigarettes and tobacco.....	245	333	26,295	54,688	62,306
Cigarette papers and tubes.....	3,356	3,948	5,056	6,159	6,658
Electric and gas appliances.....	1,886	8,470	5,306	3,302	4,057
Furs.....			3,170	4,199	5,217
Gasoline.....		24,752	24,898	24,930	29,671
Matches and lighters.....	2,173	2,766	2,855	2,874	3,117
Phonographs, radios and tubes.....	1,289	2,361	1,191	491	1,112
Special excise on importations.....	1,008	861	480	508	545
Sugar.....	11,894	22,009	14,950	13,048	11,744
Toilet preparations and soaps.....	1,542	3,539	4,542	5,327	6,347
Trunks, bags, luggage, etc.....			2,187	4,170	4,134
Wines.....	658	1,445	2,007	1,710	1,772
Sundry.....	682	877	1,938	2,579	2,977
Taxes on Amusements and Services—					
Amusements.....		7,710	10,778	12,019	12,284
Tax on pari-mutuel bets.....		1,082	1,287	1,683	1,904
Transportation and communication	1,848	8,131	16,083	22,379	24,205
Stamps, including payment of taxes on jewellery, chinaware, cabaret attendance, etc.....	4,574	4,893	12,586	16,734	18,296
Licences, interest and miscellaneous	173	202	255	331	369
Less refunds.....	—4,835	—10,370	—17,549	—34,342	—194,719
Total Excise Taxes.....	284,167	453,425	488,712	638,619	543,065
Other Taxes—					
Chartered bank note circulation.....	898	786	665	457	350
Insurance Companies.....	972	1,148	10,893	6,481	7,182
Miscellaneous.....	636	702	723	753	702
Total Indirect Taxes.....	506,038	708,544	758,677	956,316	818,312
Total Revenue from Taxes.....	778,176	1,360,913	2,136,720	2,591,811	2,374,126

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS—*Concluded*
(Thousands of Dollars)

—	1940-41	1941-42	1942-43	1943-44	1944-45
NON-TAX REVENUE—	\$	\$	\$	\$	\$
Post Office.....	40,383	45,994	48,869	61,071	66,056
Return on Investments.....	17,902	25,826	41,242	48,281	60,749
Bullion and coinage.....	6,266	4,767	5,883	8,732	4,586
Premium, discount and exchange.....	6,107	11,855	395	2,154	.....
Other.....	10,921	14,469	19,690	13,045	14,080
Total Non-tax Revenue.....	81,579	102,911	116,079	133,283	145,471
Total Ordinary Revenue.....	859,755	1,463,824	2,252,799	2,725,094	2,519,597
SPECIAL RECEIPTS AND CREDITS—					
Consolidated Deficit Account—					
Refunds of previous years' Special Expenditure.....	78	102	239	221	53
Special Receipts—War Appropriation Acts.....	1,542	16,384	18,651	98,918	360,061
War Donations.....	1,410	459	275	216	177
Canadian Wheat Board— Reduction in Reserve Account.....	.....	.....	6,660	2,971	589
Surpluses in certain special accounts.....	.....	.....	.....	.....	2,625
Canadian National Railways—					
Net credit due to increase in Canadian National Railways Securities Trust Stock (contra).....	1,695 ¹	1,576 ¹	31,560 ¹	37,838 ¹	22,400 ¹
Previous years' war expenditure on investment in Crown plants transferred to Active Assets.....	.....	.....	.....	53,448	.....
Other.....	4	.....	1	26	.....
Total Consolidated Deficit Account.....	4,729	18,521	57,386	193,638	385,905
Capital and Non-active Accounts—					
Capital Accounts—					
Refunds of previous years' expenditure.....	20	38	102	93	728
Net insurance proceeds on the P.E.I. Car Ferry.....	.....	984	.....	.....	.....
Non-active Accounts—					
National Harbours Board, reduction of indebtedness.....	.....	33	15	.....	19
Canadian Government Merchant Marine Ltd.—balance in contingency reserve.....	1	.....	.....	.....	.....
Canadian National (West Indies) Steamships, Limited, reduction of indebtedness.....	.....	.....	.....	164	549
Canadian Pacific Railway— repayment of loan made under Unemployment Relief Act, 1932	.....	.....	.....	1,000	.....
Write-downs to Consolidated Deficit Account—					
Seed Grain and Relief Loans.....	46	58	42	29	36
Total Capital and Non-active Accounts.....	67	1,113	159	1,286	1,332
Total Special Receipts and Credits..	4,796	19,634	57,545	194,924	387,237
GRAND TOTAL REVENUE.....	864,551	1,483,458	2,310,344	2,920,018	2,906,834
Less estimated amount of Income and Excess Profits Taxes refundable after the war.....	.....	70,000	155,000	219,500	.....
	864,551	1,483,458	2,240,344	2,765,018	2,687,334

(¹) Revised to be comparable to the presentation used in Public Accounts of 1943-44, by netting the adjustments affecting the Canadian National Railways Securities Trust Stock.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS

(Thousands of Dollars)

—	1940-41	1941-42	1942-43	1943-44	1944-45
	\$	\$	\$	\$	\$
ORDINARY EXPENDITURE					
Agriculture.....	8,593	8,430	8,492	8,841	9,424
Auditor General's Office.....	453	457	441	348	361
Civil Service Commission.....	397	399	427	456	461
External Affairs, including office of Prime Minister.....	1,013	1,052	1,156	1,596	1,974
Finance—					
Interest on Public Debt.....	139,179	155,018	188,556	242,681	318,995
Cost of Loan Flotations and Annual Amortization of Bond Discounts and Commissions.....	6,304	16,350	13,838	19,285	20,679
Subsidies to Provinces.....	13,769	14,409	14,490	14,449	14,445
Special Grants to Provinces.....	5,475	.....	.....	.....	.....
Wartime Prices and Trade Board—					
Dominion Fuel Board Administration, coal subsidies and subventions.....	(¹) 4,880	(²) —	(^{2}) —	(^{2}) —	(^{2}) —
Miscellaneous Grants and Contributions.....	530	531	526	528	531
Civil Pensions and Superannuation.....	508	445	398	356	325
Government contribution to Superannuation Fund.....	2,316	2,347	2,341	2,299	2,341
Old Age Pensions, including pensions to blind persons.....	29,912	29,612	29,976	30,377	32,187
Premium, Discount and Exchange.....	—	—	—	—	16,348
Compensation to Provinces under Dominion-Provincial Taxation Agreements—					
Income and Corporation Taxes.....	—	21,120	85,942	83,678	82,977
Gasoline Tax.....	—	—	8,273	11,757	10,357
Administrative and Sundry Expenditure.....	3,500	3,807	4,181	4,472	4,724
Fisheries.....	1,618	1,679	1,699	1,696	2,159
Governor General and Lieutenant Governors.....	213	226	225	222	223
Insurance.....	176	181	182	183	185
Justice—					
Penitentiaries.....	2,711	2,657	2,667	2,673	2,696
Labour.....	2,717	2,786	2,772	2,799	2,936
Technical Education.....	826	762	698	1,147	1,419
Unemployment Insurance Act, 1940—					
Administration.....	69	2,344	4,657	5,171	5,115
Government contribution.....	—	7,287	11,487	12,344	12,746
Government Annuities—					
Payments to maintain reserve.....	111	617	498	32	257
Legislation—					
House of Commons.....	2,468	1,408	1,827	1,915	1,612
Library of Parliament.....	70	72	76	77	72
Senate.....	868	424	555	562	485
General.....	58	47	61	86	95
Chief Electoral Officer, including elections.....	2,469	282	1,447	88	179
Mines and Resources—					
Administration.....	179	178	160	167	161
Immigration.....	1,273	1,289	1,268	1,262	1,311
Indian Affairs.....	5,183	5,000	4,978	5,177	6,164
Lands, Parks and Forests.....	1,937	1,959	1,753	1,586	1,832
Surveys and Engineering.....	1,114	1,128	1,129	1,272	1,610
Mines and Geological Survey.....	1,173	1,156	1,140	1,125	1,217
Movement of Coal and Subsidies under Domestic Fuel Act.....	4,408	(^{3}) —	(^{3}) —	(^{3}) —	(³) —
Munitions and Supply.....	9	12	12	14	19
Dominion Fuel Board Administration					
Coal subsidies and subventions.....	—	—	4,965	2,165	2,737
National Defence—					
Administration.....	30	43	44	36	40
Sundry Services.....	168	223	371	32	29
National Health and Welfare.....	1,111	1,246	1,244	1,617	1,725
National Revenue (including Income Tax).....	12,229	13,428	15,190	17,721	20,114
National War Services.....	—	682	428	547	838

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Continued*

(Thousands of Dollars)

	1940-41	1941-42	1942-43	1943-44	1944-45
	\$	\$	\$	\$	\$
ORDINARY EXPENDITURE—<i>Con.</i>					
Post Office.....	38,700	41,502	44,742	48,485	54,629
Privy Council.....	54	54	62	80	81
Public Archives.....	126	123	123	124	124
Public Printing and Stationery.....	283	195	245	235	232
Public Works.....	11,507	11,937	12,014	12,281	13,169
Reconstruction including National Research Council.....	—	—	—	—	969
Royal Canadian Mounted Police.....	5,554	5,985	6,242	6,678	7,183
Secretary of State.....	772	823	820	831	864
Trade and Commerce.....	4,315	(⁴) 6,200	4,566	4,196	3,497
Canada Grain Act.....	1,908	1,909	1,918	2,089	2,333
Mail Subsidies and Steamship Subventions.....	942	616	616	800	869
Transport—					
Administration.....	334	388	375	397	402
Air Service.....	3,478	3,386	3,334	3,593	3,939
Marine Service.....	3,795	4,010	4,257	4,504	4,897
Canadian Travel Bureau.....	470	(⁵) —	(⁵) —	(⁵) —	(⁵) —
Railways and Canals.....	3,527	3,694	3,340	4,090	4,260
Maritime Freight Rates Act.....	3,951	3,935	4,894	5,058	4,733
Railway Grade Crossing Fund.....	126	25	12	17	34
Veterans Affairs—					
Departmental Administration.....	133	182	162	176	195
Pensions (War 1914-18 and military)....	41,515	40,569	39,684	38,998	39,372
War Service Gratuities and credits....	—	—	—	—	20,228
Treatment and after-care of returned soldiers and allowances to dependents.....	13,402	12,667	12,689	14,050	19,845
Soldier Settlement and Veterans Land Act.....	582	564	567	837	1,391
Total ordinary expenditure.....	390,629	444,778	561,251	630,381	767,376
CAPITAL EXPENDITURE					
Railways.....	7	4	38	692	630
Public Works.....	3,351	3,426	3,238	1,930	2,534
Total Capital Expenditure.....	3,358	3,430	3,276	2,622	3,164
WAR EXPENDITURE					
National Defence—Army—					
Army Services.....	380,345	502,773	1,021,944	1,312,348	1,243,732
Internment Operations.....	805	1,370	1,556	1,100	1,580
Inspection Board of the U.K. and Canada.....	—	4,876	10,946	10,522	8,362
Sundry.....	2,085	2,150	3,344	4,835	8,080
383,235	511,169	1,037,790	1,328,805	1,261,754	417,099
National Defence—Naval Services.....	88,163	129,368	210,182	369,556	759,070
National Defence—Air Services—					
Overseas War Establishment.....	5,362	13,333	23,666	383,888	227,942
Home War Establishment.....	49,415	109,820	226,550	312,761	272,342
Air Training.....	121,502	247,383	366,897	233,893	103
Sundry.....	—	113	122	124	—
Munitions and Supply—	176,279	370,649	617,235	930,666	1,259,457
Administration.....	2,068	4,930	9,457	9,957	8,841
Expansion of Industry.....	77,886	247,761	469,675	672,804	205,039
Acquisition of U. K. Assets.....	—	—	200,000	5,000	1,964
	79,954	252,691	679,132	687,761	215,844

(¹) For previous years included in Departments of Trade and Commerce and Mines and Resources.

(²) For current year see Department of Munitions and Supply.

(³) For relative years see Departments of Finance and Munitions and Supply.

(⁴) Includes an amount of \$2,615,000 for Census of population of Canada.

(⁵) Included in Department of National War Services.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Continued*

(Thousands of Dollars)

—	1940-41	1941-42	1942-43	1943-44	1944-45
WAR EXPENDITURE— <i>Continued</i>	\$	\$	\$	\$	\$
Agriculture—					
Disposal of agricultural products rendered surplus by the War.....	4,350	2,260	2,901	1,876	1,194
Subsidy to increase export bacon price to secure adequate supplies for the U.K.....	—	2,281	—	—	—
Payments on cheese exports to the U.K.....	—	1,784	—	—	—
Freight assistance on western feed grains.....	—	3,972	10,318	17,754	15,943
Payment to increase the income of farmers in the spring wheat area of Western Canada.....	—	16,299	2,678	19	2
Fertilizer subventions and freight allowance.....	—	—	1,036	903	350
Subsidy on western wheat used exclusively as feed for live-stock.....	—	—	836	4,500	7,471
Subsidy on milk and milk products.....	—	—	—	29,505	42,330
Premium on hog carcasses suitable for export to Great Britain.....	—	—	—	3,855	14,091
To provide for reserve stocks of feed grains.....	—	—	—	1,292	715
Sundry.....	140	791	2,211	4,589	5,958
	4,490	27,387	19,980	64,293	88,054
Finance—					
Comptroller of the Treasury.....	1,602	3,866	6,493	8,404	9,216
Payment of premiums on the purchase of Dominion of Canada Registered Stock.....	—	8,100	126	13	14
Wartime Prices and Trade Board—					
Administration.....	(*)	1,437	9,278	13,705	12,720
Subsidies due to application of Order placing a ceiling over all prices....	—	3,242	67,715	81,519	107,338
Canadian Wheat Board—					
Accountable advances for payment of drawback claims to millers and other manufacturers of wheat products.....	—	—	(?)	20,500	19,700
Deficits.....	—	—	—	—	13,058
House Conversion Program.....	—	—	—	841	4,053
Old Age Pensions, increased benefits.....	—	—	—	3,062	8,788
Sundry.....	90	80	1,051	417	1,632
	1,692	16,725	84,663	128,461	176,519
Labour—					
Industrial training.....	1,400	4,569	4,360	3,478	1,617
Training aircraft mechanics.....	249	1,489	2,019	1,378	333
National Selective Service.....	—	—	4,737	9,346	11,098
Removal of enemy aliens from protected areas.....	—	—	4,328	2,545	2,137
Sundry.....	248	496	1,383	2,891	4,479
	1,897	6,554	16,827	19,638	19,664
Mines and Resources—					
Prince Rupert—Terrace—Cedarvale Highway.....	—	10	2,965	5,750	2,499
Employment of Japanese.....	—	71	1,686	894	511
Sundry.....	292	678	1,626	2,761	2,804
	292	759	6,277	9,405	5,814
National War Services—					
War Charities.....	—	1,175	6,499	10,910	15,933
National Film Board.....	—	10	122	1,220	1,341
Censorship.....	—	22	(*) 1,070	(*) 1,727	(*) 1,856
Sundry.....	2,370	2,011	954	1,330	6,852
	2,370	3,218	8,645	15,187	25,982

(⁶) Included under Department of Labour.

(⁷) See Department of Trade and Commerce.

(⁸) Including the censorship of telegrams, cables, etc., which was included under National Defence—Army, in previous years.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Continued*

(Thousands of Dollars)

—	1940-41	1941-42	1942-43	1943-44	1944-45
WAR EXPENDITURE— <i>Concluded</i>	\$	\$	\$	\$	\$
Pensions and National Health—					
Treatment—Defence Forces.....	2,144	2,696	4,175	6,456	—
Pensions—Defence Forces.....	189	886	2,760	5,637	—
Air Raid Precautions.....	140	619	5,027	1,724	—
Sundry.....	897	1,412	2,358	4,135	—
	3,970	5,613	14,320	17,952	—
Veterans Affairs—					
Treatment—Defence Forces.....	—	—	—	—	11,449
Pensions—Defence Forces.....	—	—	—	—	11,939
Additions, alterations and improvements to departmental hospitals, including land purchases.....	—	—	—	—	5,738
Sundry.....	—	—	—	—	3,633
	(9)	—	(9)	—	32,759
National Health and Welfare.....					
Public Works.....	4,917	4,497	6,880	6,467	1,340
Royal Canadian Mounted Police.....	2,885	3,001	3,870	4,267	6,500
Reconstruction—National Research Council.....	419	1,125	2,091	2,640	3,709
	752,045	1,339,674	2,724,249	3,674,420	3,615,100
Trade and Commerce—					
Gift of wheat to Greece.....	—	—	3,835	8,798	6,749
Canadian Wheat Board—					
Accountable advances for payment of drawback claims to millers and other manufacturers of wheat products.....	—	—	3,000	(10)	(10)
Sundry.....	21	80	529	745	670
	21	80	7,864	9,543	7,419
	1,464	5,228	5,762	9,941	16,077
Transport.....					
Acquisition of Airfields and Works from United States Government.....	—	—	—	66,600	18,661
Wartime Information Board.....	—	—	1,474	759	1,700
Can. Mutual Aid Board—Military Relief					
Other Departments.....	1,097	1,610	1,757	2,479	50,199
	752,045	1,339,674	3,724,249	4,587,023	3,615,100
	752,045	1,339,674	3,724,249	4,587,023	4,418,446
SPECIAL EXPENDITURE					
Unemployment Relief.....	27,647	8,500	5,013	3,751	3,869
Western Drought Area Relief—					
Prairie Farm Assistance Act, 1939—					
Administration.....	346	423	157	217	188
Advances to Prairie Farm Emergency Fund.....	4,376	11,848	249	2,578	1,295
Wheat acreage reduction plan—					
Administration.....	—	980	1,342	848	261
Payments of awards to farmers.....	—	29,654	24,527	30,102	1,707
Provision for reserve to meet deficits resulting from the operations of the Canadian Wheat Board not previously provided for.....	10,500	12,571	—	—	186
	42,869	63,976	31,288	37,496	7,506

(9) Included in Pensions and National Health.

(10) See Department of Finance.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Concluded*

(Thousands of Dollars)

—	1940-41	1941-42	1942-43	1943-44	1944-45
	\$	\$	\$	\$	\$
GOVERNMENT OWNED ENTERPRISES					
Losses charged to Consolidated Deficit Account—					
Canadian National Railways System, ex-eastern lines.....	14,451	—	—	—	—
Eastern lines.....	2,514	—	—	—	—
Prince Edward Island Car Ferry and Terminals.....	461	424	591	698	773
National Harbours Board.....	40	33	—	30	59
Total charged to consolidated deficit account.....	17,466	457	591	728	832
Loans and advances non-active—					
National Harbours Board.....	716	758	657	579	526
Total non-active advances.....	716	758	657	579	526
Total government-owned enterprises.....	18,182	1,215	1,248	1,307	1,358
OTHER CHARGES					
Write-down of assets chargeable to Consolidated Deficit Account—					
Reduction of soldier and general land settlement loans.....	1,011	271	51	553	325
Yearly established losses in seed grain and relief accounts—Department of Mines and Resources.....	46	58	42	29	36
Cancellation of Canadian Farm Loan Board—					
Capital Stock.....	12	10	7	5	1
To provide a reserve for possible losses on ultimate realization of Active Assets.....	25,000	25,000	25,000	25,000	25,000
Fulfilment of guarantees—					
Saskatchewan Seed Grain Loans, 1937.....	7,136	—	—	—	—
Canadian National Railways Securities Trust Stock—					
Net changes in Dominion's equity in Canadian National Railways.....	1,695	1,576	31,560	37,838	22,400
Total other charges.....	34,900	26,915	56,660	63,425	47,762
Grand total expenditures.....	1,241,983	1,879,988	4,377,972	5,322,254	5,245,612

SUMMARY OF REVENUES AND EXPENDITURES

(Thousands of Dollars)

—	1940-41	1941-42	1942-43	1943-44	1944-45
	\$	\$	\$	\$	\$
Ordinary revenues.....	859,755	1,463,824	2,182,799	2,570,094	2,300,097
Capital refunds.....	20	1,022	102	93	728
Special receipts and other credits.....	4,776	18,612	57,443	194,831	386,509
Total revenues.....	864,551	1,483,458	2,240,344	2,765,018	2,687,334
Ordinary expenditures.....	390,629	444,778	561,251	630,381	767,376
Capital expenditures.....	3,358	3,430	3,276	2,622	3,164
War expenditures.....	752,045	1,339,674	3,724,249	4,587,023	4,418,446
Special expenditures.....	42,869	63,976	31,288	37,496	7,506
Government Owned Enterprises.....	18,182	1,215	1,248	1,307	1,358
Other charges.....	34,900	26,915	56,660	63,425	47,762
Total expenditures.....	1,241,983	1,879,988	4,377,972	5,322,254	5,245,612
Total deficit or increase of direct net debt	377,432	396,530	2,137,628	2,557,236	2,558,278

REVENUES 1944-45

2. Dominion government revenues for the fiscal year ended March 31, 1945, totalled \$2,687,334,000, a decline of \$77,684,000, or 2.8%, from the previous year, which had been the highest in the Dominion's history. The above figure represents the net revenue after deducting reserves established for the refundable portions of the personal income and excess profits taxes, and refunds and drawbacks against customs duties and excise and other taxes. The decline in total revenue was largely due to the fact that the amounts debited on these accounts were substantially higher than in the previous year. Details relating to these debits are given in later paragraphs. A table on page 16 also gives a detailed comparison of the actual revenue figures for the year with the forecast made in the Budget Speech of June 26, 1944.

3. A feature again prominent in the tax revenue of the year was the large proportion derived from direct taxation of income. This form of taxation is generally recognized as being most equitable. Under the individual income tax it is possible to impose taxation measured approximately by the individual ability to pay, while direct levies on corporations under the corporation and excess profits taxes assure that abnormal and unreasonable profits are not made from war production. The proportion of tax revenue derived from direct taxes in 1944-45 was 62.0% compared with 32.6% in 1938-39, the last pre-war year.

4. An amount of \$219,500,000 representing taxes estimated to be refundable under the provisions of the Income War Tax Act and the Excess Profits Tax Act has been deducted from the overall total revenue to present a net figure for the year. This amount does not relate solely to taxes collected in the year 1944-45 but includes some additional provision for previous years which are detailed more fully under the sections relating to income and excess profits taxes below. Taken together with the amounts previously set aside on this account the latest provision brings the net accumulated liability to the end of 1944-45 to a total of \$444,271,000 of taxes refundable in the post-war period. Of this amount \$259,772,000 is in respect of individual income tax and \$184,499,000 is in respect of the excess profits tax.

ORDINARY REVENUES

5. Net revenue from customs duties for the fiscal year 1944-45 amounted to \$115,091,000, compared with net revenue of \$167,882,000 in the preceding year.

6. The explanation of this sharp decline in net revenue lies partly in a small reduction in gross customs receipts, but was due primarily to a marked increase in the amount of refunds and drawbacks debited from this source during the year. As explained in the Public Accounts for 1943-44, the taxation of war supplies and munitions produced on behalf of our Allies underwent a development during the war which had a marked effect on government revenues. Prior to April 1st, 1943, importations into Canada or purchases in Canada by or on behalf of Allied Governments were granted exemption from customs duty and also from sales tax and any other excise taxes that would normally have applied, although purchases by the Canadian Government for its own account were subject in full to all applicable taxes. With the adoption of the Mutual Aid program the Canadian Government became the purchaser of a substantial proportion of munitions and other war supplies procured in Canada for the use of other governments, and during the fiscal year 1943-44 only those supplies which were purchased in Canada for cash by Allied Governments were eligible for tax exemption, which exemption was granted in the form of a rebate, subsequent to the time of purchase, of the amount of duties and taxes included in the purchase price. In the fiscal year 1944-45 this policy was extended to provide for the refunding of duties and taxes on goods delivered under Mutual Aid as well as those paid for by cash in Canada.

7. The effect of this change was to bring within the scope of taxation in the first instance a substantial volume of war supplies excluded prior to April 1, 1943, which was the principal factor in accounting for the rise in gross receipts from customs duties and certain other taxes in the fiscal year 1943-44. At the same time it was known at the end of the fiscal year 1943-44 that a substantial but indeterminate amount of this increased revenue would be subject to rebate, and it was indicated in the Public Accounts for that year that there were arrears of refunds to Allied Governments then outstanding which had not at that time been determined. With the extension of the scope of the refunding procedure to include deliveries under Mutual Aid during the fiscal year 1944-45 it was also evident that the volume of such rebates would be increased over that of the previous fiscal year.

8. In the course of the fiscal year 1944-45 progress was made in determining and refunding the amount of duties and taxes not only in respect of 1943-44 but also in respect of 1944-45, so that by the time the books for the latter year were closed substantially all rebates on goods delivered to the end of that year had been made. In the results, however, not only the rebates of the year 1944-45 were debited against the revenue of that year but also the arrears of rebates from the previous year, which reduced customs and excise revenues to a much greater extent than if there had been no carry-over of arrears from the previous year and correspondingly left revenue for the previous year higher than if it had been possible to determine and refund the proper amount of taxes allocable to that year. The overall effect on customs refunds and drawbacks was that the total, including refunds on other accounts, increased from \$20,010,000 in the fiscal year 1943-44 to \$58,638,000 in the fiscal year 1944-45. It was this marked increase in refunds, attributable to the causes set forth above, which explains the decline in net customs revenue.

9. Excise duties are levied exclusively on alcoholic beverages and tobacco products. Revenue in the fiscal year 1944-45 amounted to \$151,922,000, some \$9,798,000 higher than the previous year, of which increase alcoholic beverages

contributed \$6,211,000 and tobacco products \$3,237,000. The increase in the former classification was attributable largely to higher revenues from beer, while cigarettes accounted for the largest part of the latter increase. The extent of the smokers' contribution to the Federal Treasury is indicated by the overall revenue from tobacco products which, including the additional taxes imposed under the Special War Revenue Act on tobacco, cigars, cigarettes and cigarette papers and tubes amounted in the fiscal year 1944-45 to \$152,106,000, or a sum in excess of one-third of the total tax revenue of the government in the last pre-war year, 1938-39.

10. Under "excise taxes" are included the wide variety of commodity taxes levied under the Special War Revenue Act, of which the sales tax and the war exchange tax are the largest revenue sources. Gross revenue from excise taxes in the fiscal year 1944-45 amounted to \$737,784,000, some \$64,823,000 higher than the previous year, but total refunds of \$194,719,000, compared with \$34,342,000 in the previous year, reduced net revenue in 1944-45 to \$543,065,000, some \$95,554,000 lower than 1943-44. The increase in refunds on excise taxes, mostly in respect of the sales tax, was attributable to the same circumstances as were outlined in the section dealing with customs revenue.

11. The two major revenue sources, sales tax and war exchange tax, showed respectively an increase in gross revenue of \$64,853,000, and a decrease of \$20,749,000. The increase in sales tax revenue is to be attributed mostly to the higher level of munitions production, while the decrease in war exchange tax revenue arose from the exemption of certain imports, including raw cotton and cotton yarns, agricultural implements and several other classes, from application of the tax. All other excise taxes yielded \$235,511,000, exceeding the revenue of the previous year by \$20,718,000. The significant increases occurred under the following headings (the amount shown is the increase in 1944-45 over 1943-44).

1. Cigars, cigarettes and tobacco.....	\$ 7,618,000
2. Gasoline.....	4,741,000
3. Transportation and communications.....	1,825,000
4. Stamps, etc., including payment of taxes on jewellery, chinaware, cabaret attendance, &c.....	1,561,000
5. Toilet preparations and soaps.....	1,022,000
6. Furs.....	1,020,000
7. Electric and gas appliances.....	754,000
8. Phonographs, radios and tubes.....	621,000

12. Certain other revenues, on the other hand, suffered some reduction due largely to rationing of domestic consumption. The most important of these was sugar revenue, which declined from \$13,049,000 to \$11,744,000.

13. The personal income tax, again the largest single source of revenue, yielded a total of \$767,755,000, compared with collections of \$813,435,000 in the previous year. The decline was due to the fact that collection of the refundable tax ceased after July 1, 1944, thus reducing receipts for the last nine months of the fiscal year.

14. In 1944-45 a deduction was made of an amount of \$95,000,000 in respect of the refundable portion of the tax which brought net revenue down to \$672,755,000. This was lower than the net revenue of \$698,435,000 in the previous year, a reduction which was largely attributable to the fact that the amount of \$95,000,000 deducted for refundable taxes in 1944-45 related only to the extent of \$70,000,000 to tax revenues of that year, the balance of \$25,000,000 representing an increase in the reserves previously set aside against the two earlier years in which this requirement was in effect. The estimated total accumulated liability in respect of refundable taxes paid on personal incomes for the three taxation years, 1942, 1943 and 1944, has now been provisionally established at \$260,000,000. Of this total amount \$60,000,000

relates to 1942, \$130,000,000 to 1943, and \$70,000,000 to 1944. The reserves now provisionally established for 1942 and 1943 represent increases of \$5,000,000 and \$20,000,000 respectively over the amounts established previously for those years, the total increase of \$25,000,000 being included in the figure of \$95,000,000 deducted from revenue of 1944-45 fiscal year.

15. Corporation income tax and excess profits tax, both of which are levied on business incomes, may appropriately be discussed together. Revenue from the corporation income tax amounted to \$276,404,000, as compared with \$311,379,000 in 1943-44, while revenue from the excess profits tax, before deducting the estimated refundable portion, was \$465,805,000, only slightly less than the figure of \$468,718,000 for 1943-44.

16. It will be noted that from the excess profits tax revenue for 1944-45 there has been deducted an amount of \$124,500,000 in respect of the refundable portion of the tax, as compared with a deduction of \$40,000,000 in 1943-44. The magnitude of the figure for 1944-45 deserves some comment. It represents a substantial revision in the amounts previously set aside in earlier years and also the establishment of a liability against 1944-45 at a much higher level than was previously anticipated. The explanation of this upward adjustment lies in the fact that the early estimates of the refundable portion of excess profits tax were based on the level of revenue from that tax as indicated by annual receipts under that heading. It has become apparent, however, as an increasing volume of corporation returns for the war years are assessed, that the distribution of tax liability between the corporation income tax and the excess profits tax is weighted more heavily towards the latter tax than the flow of revenue had indicated. This disparity is probably in large part explained by the fact that in making their monthly instalment payments many taxpayers, although paying a correct amount in total, distinguished inaccurately or do not distinguish at all between the corporation income tax and the excess profits tax portions of their payment. It will only be possible to make an exact allocation of revenue between the two sources as assessment of corporation returns progresses and the correct total distribution of tax liability is determined.

17. This reallocation of revenue will be effected through transfers from one source to the other as returns are assessed, and probably will not be completed for some time. It was felt appropriate, however, to anticipate in so far as possible the final effect of this redistribution in establishing the reserves for the refundable portion of the tax. On the basis of such final figures as are now available it has been estimated that the reserve for refundable portion of excess profits tax revenues collected in 1942-43 and 1943-44 should be increased from the amount of \$60,000,000 then provided to an amount of \$119,500,000, an increase of \$59,500,000, and that the reserve in respect of 1944-45 should be established at \$65,000,000, subject to further change as final and accurate figures become available. With these additions the accumulated liability to March 31, 1945, amounted for all years to \$184,500,000.

18. Revenue under the heading of dividends, interest, etc., is derived from special taxes imposed on certain income under Section 9b of the Income War Tax Act. In 1944-45 this revenue amounted to \$27,053,000, increased by some \$1,382,000, and was derived for the most part from the 15% tax levied on interest and dividends paid to non-residents.

19. The Dominion Government has levied succession duties only since 1941, and revenue from this source is showing a gradual increase from year to year. In 1944-45 it amounted to \$17,251,000 as compared with \$15,020,000 in 1943-44 and \$13,273,000 in 1942-43.

20. Small amounts of tax revenue are derived from the tax on the note circulation of the chartered banks, which decreases from year to year with the decline in circulation of such notes as provided by statute; from taxes on the net premium income of insurance companies; from a tax on the export of electrical energy from Canada, and from a tax on the export of furs from the Northwest Territories. Revenue from all these taxes amounted in 1944-45 to \$8,234,000.

21. Non-tax revenues for 1944-45 amounted to \$145,471,000, an increase of \$12,188,000 over 1943-44. Receipts from the Post Office total \$66,056,000, an increase of approximately, \$4,985,000. The receipts from the Post Office exceeded the cost of operations by about \$11,427,000 without taking into account any credit for service rendered other departments free of charge and without adding to the cost of operations, rentals and other costs of premises occupied by the Post Office. Return on Investments realized \$60,749,000, an increase over the previous year of about \$12,468,000. The larger items making up this total are: interest on advances to Canadian National Railways, \$18,282,000; Bank of Canada profits, \$18,079,000; interest on loans to Foreign Exchange Control Board, \$5,951,000; interest on bonds held in Securities Investment Account, \$5,545,000; interest on loans to National Harbours Board, \$4,000,000; interest on loans to Provinces, \$2,927,000; interest on loans to Canadian Farm Loan Board, \$911,000; Soldier Land Settlement loans, \$797,000, and interest on advances to Canadian National Railways for purchase of railway equipment, \$1,792,000.

SPECIAL RECEIPTS AND CREDITS

22. The total amount for the fiscal year 1944-45 under this heading is \$387,237,000, compared with \$194,924,000 for the previous year. Refunds of previous years' War Expenditures totalled \$298,626,000, of which the Department of Munitions and Supply accounted for \$220,831,000; the Department of National Defence, Army Services, \$52,210,000; Navy Services \$2,867,000 and Air Services \$20,981,000. The three principal items under the Department of Munitions and Supply were, net production refunds representing mainly return of working capital advances from prefinanced plants, \$206,146,000; refunds from contracts in connection with cost audits, voluntary refunds, negotiation of contracts, etc., \$9,121,000, and miscellaneous refunds from sundry companies, \$4,618,000. Included in the amount of \$20,981,000 under Air Services, are amounts totalling \$7,985,000 received from the Governments of the United States, the United Kingdom and other Government departments for materials and equipment supplied, and an amount of \$3,097,000 received from the Government of New Zealand representing certain liabilities due under the terms of the agreements governing its participation in the British Commonwealth Air Training Plan, No. 1. The remainder constitutes chiefly refunds on contracts after cost audits and proceeds from the sale of materials and supplies.

23. The amount classified as Miscellaneous War Revenue is \$45,884,000, of which \$31,445,000 represents net revenue derived from the operation of Government Owned Companies and Crown Plants—sundry companies. Some of the other items making up this total are net revenue from the sale of gasoline ration books, \$1,581,000; rental of buildings and equipment and return on plant investment and working capital loans from sundry companies, \$1,678,000; sundry permits and sales, Department of National Defence, Army Services, \$2,583,000; Navy Services, \$590,000; Air Services, including equipment and supplies furnished other government departments, \$3,461,000, and Department of Transport, made up mainly of the balance of the operating surplus as at March 31, 1945, of the Dominion Lighthouse depot at Prescott, Ontario, \$2,231,000.

24. Other large items recorded under the heading of Special Receipts and Credits are, sale of surplus war assets, \$8,408,000; asset values of properties disposed of under lease purchase option agreements previously charged to War Appropriation, \$7,143,000, and \$22,400,000, representing the net result of the changes in the Dominion's equity in the Canadian National Railways for the calendar year, 1944, due to surplus earnings of the Canadian National Railways of \$23,027,000 less loss on capital abandonments of \$627,000. This last item of \$22,400,000 increased the book valuation of the Canadian National Railways' securities trust capital stock and accordingly is offset by a contra amount appearing on the expenditure side under the heading "Other Charges".

25. The table which follows gives a summary of the forecast made at the time of the last budget of the probable receipts from the various sources of revenue during the fiscal year 1944-45, and a comparison of these forecasts with receipts for the fiscal year. The increase in total receipts over the amount forecast in terms of percentage, excluding estimated refundable portion of income and excess profits taxes is 3.3 per cent.

DETAILED STATEMENT OF BUDGET FORECAST COMPARED WITH ACTUAL REVENUE FOR 1944-45

Source of Revenue	Budget Forecast of Revenue	Actual Revenue	Increase (+) or decrease (-) in revenue as compared with budget forecast
(thousands of dollars)			
TAX REVENUES			
Customs Duties.....	160,000	115,091	— 44,909
Excise Duties.....	150,000	151,922	+ 1,922
Excise Taxes:			
Sales Tax (net).....	290,000	209,391	— 80,609
War Exchange Tax.....	120,000	98,164	— 21,836
Other Excise Taxes.....	225,000	235,511	+ 10,511
Total Excise Taxes.....	635,000	543,066	— 91,934
Income Taxes:			
Tax on personal incomes.....	760,000	767,755	+ 7,755
Corporate Income Tax.....	300,000	276,404	— 23,596
Excess Profits Tax.....	425,000	465,805	+ 40,805
Interest and Dividends.....	27,000	28,598	+ 1,598
Total Income Taxes.....	1,512,000	1,538,562	+ 26,562
Succession Duties.....	17,000	17,251	+ 251
Miscellaneous Taxes.....	8,000	8,235	+ 235
Total Tax Revenues.....	2,482,900	2,374,127	— 107,873
Non Tax Revenues.....	145,000	145,471	+ 471
Total.....	2,627,000	2,519,598	— 107,402
Special Receipts and Credits.....	75,000	387,237	+ 312,237
Total Revenue.....	2,702,000	2,906,835	+ 204,835
Less Refundable Taxes.....	100,000	219,500	— 119,500
Net Total Revenue.....	2,602,000	2,687,335	+ 85,335

EXPENDITURES, 1944-45

26. Expenditures are dealt with under the usual classifications viz. (1) Ordinary expenditures; (2) Capital expenditures; (3) War expenditures; (4) Special expenditures; (5) Government owned enterprises; (6) Other charges. All disbursements under these categories, with the exception of active loans and investments charged to the War Appropriation Acts, are included as expenditures in arriving at the over-all deficit or increase in net debt.

ORDINARY EXPENDITURES

27. Ordinary expenditures totalled \$767,376,000 in the fiscal year ended March 31, 1945, compared with \$630,381,000 in the previous year or an increase of \$136,995,000. A few of the larger contractual and uncontrollable items, such as interest and other charges on the public debt, pensions, unemployment insurance, post office, subsidies and payments to Provinces under the Dominion-Provincial taxation agreements, war service gratuities and re-establishment credits total \$642,100,000 or 83.7% of total ordinary expenditure.

28. Details of some of the larger increases in ordinary expenditure over the previous fiscal year are as follows:

Increased interest and public debt charges.....	\$ 77,707,000
Increase in Post Office expenditure.....	6,144,000
Increase in Old Age Pensions and Pensions to Blind Persons.....	1,810,000
Increase in administrative cost of Department of National Revenue, including Income Tax.....	2,393,000
Increase in Premium, Discount and Exchange expenditure.....	16,348,000
Increase in cost of treatment and after care of returned soldiers and allowances to dependents.....	5,795,000
War service gratuities and credits (new item).....	20,228,000

29. Smaller increases, as well as decreases effected during the year are revealed in the five-year table. It should be noted, however, that many increases in expenditure which are classified as ordinary expenditures are in fact made necessary by or arising out of the war.

CAPITAL EXPENDITURES

30. Capital expenditures totalled \$3,164,000, in the fiscal year ended March 31, 1945, compared with \$2,622,000 in the previous fiscal year. The main items classified as capital are the expenditures arising out of the dredging of the St. Lawrence Ship Channel, improvements in connection with civil airways and airports and the construction costs of the new Prince Edward Island car ferry.

WAR EXPENDITURES

31. Under the authority of the War Appropriation Act and the War Appropriation (United Nations Mutual Aid) Acts, \$4,453,685,000 was disbursed. Of this amount \$35,239,000 was for loans, advances and investments treated as active assets, and the remainder \$4,418,446,000 was classed as war expenditures. The following table gives the same classification for the last six fiscal years:

Fiscal Year	Charged to Active Assets	War Expenditures	Total
1939-40.....	\$ 9,092,742	118,291,022	127,383,764
1940-41.....	26,379,066	752,045,326	778,424,392
1941-42.....	42,816,676	1,339,674,152	1,382,490,828
1942-43.....	65,231,622	3,724,248,890	3,789,480,512
1943-44.....	91,906,305	4,587,023,094	4,678,929,399
1944-45.....	35,238,956	4,418,446,315	4,453,685,271
	270,665,367	14,939,728,799	15,210,394,166

32. The following table gives a summary of the disbursements from the War Appropriation Acts divided between the amounts classified as expenditure and those classified as active assets.

WAR APPROPRIATION ACTS—EXPENDITURE

Department of National Defence—Army Service.....	\$1,261,755,000
" " Navy Service.....	417,099,000
" " Air Service.....	1,259,456,000
Department of Munitions and Supply.....	215,844,000
Miscellaneous Departments—	
Agriculture.....	88,054,000
Auditor General's Office.....	269,000
Canadian Mutual Aid Board.....	50,199,000
Civil Service Commission.....	527,000
External Affairs including Prime Minister's Office.....	316,000
Finance.....	176,519,000
Fisheries.....	407,000
Justice.....	45,000
Labour.....	19,664,000
Legislation.....	96,000
Mines and Resources.....	5,814,000
National Harbours Board.....	356,000
National Health and Welfare.....	1,340,000
National War Services.....	25,982,000
Post Office.....	1,300,000
Privy Council.....	1,758,000
Public Works.....	6,500,000
Reconstruction.....	2,932,000
Royal Canadian Mounted Police.....	3,709,000
Secretary of State.....	244,000
Trade and Commerce.....	7,419,000
Transport.....	34,738,000
Veterans Affairs.....	32,759,000
	<hr/>
	\$3,615,101,000
The War Appropriation (United Nations Mutual Aid) Acts	803,346,000
	<hr/>
Total War Expenditure.....	\$4,418,447,000

ACTIVE ASSETS

Purchase of railway equipment:	
1942 Orders.....	7,733,000
1943 Orders.....	13,031,000
Commodity Prices Stabilization Corporation, Limited.....	12,658,000
Wartime Food Corporation, Limited.....	4,000
Construction of dock and rail facilities for Steep Rock Iron Mines, Limited.....	1,755,000
Loan to Village of Dawson Creek for construction of a sewage disposal system.....	58,000
	<hr/>
Total active loans, advances and investments from the War Appropriation, 1944-45.....	35,239,000
	<hr/>
Total disbursements from the War Appropriations, 1944-45.....	\$4,453,686,000

33. The table in the preceding section does not include recoverable outlays made under the provisions of section 3 of the War Appropriation Act which are also classed as active assets rather than expenditure. Under this section, the Government of Canada may act as the agent of an allied government for any purpose which will aid directly or indirectly in the prosecution of the war and any obligations or costs incurred temporarily or assumed may be paid out of unappropriated moneys in the Consolidated Revenue Fund. Furthermore, any expenditure required to be made by the Government under any contract for war supplies entered into for the purpose of enabling any company wholly owned by the Government to fulfil its obligations in respect of orders received by such company from an allied government may also be paid out of unappropriated moneys.

34. The principal items of war expenditure for the fiscal year ended March 31, 1945 and the four preceding fiscal years are detailed on pages 8 and 9. An explanation of a few of the more significant changes is appropriate. The first is the large increase in the expenditure for Overseas War Establishment, from \$383,888,000 to \$759,070,000, which was due to (1) the establishment of additional squadrons, (2) provisional payment of \$100,000,000 to the Government of the United Kingdom on reserve stores and pipe line supplies and (3) an advance payment of \$134,000,000 to the Government of the United Kingdom for advance training of air crew personnel.

35. A new item of war expenditure that deserves explanation is the expenditure of \$50,199,000 by the Canadian Mutual Aid Board for Military Relief. This amount was provided to cover expenditures made during the fiscal year in connection with Canada's share of the cost of relief supplies furnished by the Allied Military Forces in Europe to civilian populations during the period of military responsibility.

36. The large decrease under the Department of Munitions and Supply for the Expansion of War Industry from \$677,804,000 to \$205,038,000 was due to the curtailment of capital expenditure and recovery of prior years' working capital part of which was used for financing operations during the current year.

WAR EXPENDITURES BY DEPARTMENTS AND SERVICES
FISCAL YEAR 1944-45

Agriculture—

Agricultural Supplies Board—

Administration.....	\$ 28,000
Programmes to encourage production of essential war supplies.....	286,000
Assistance in disposal of agricultural products rendered surplus by the war.....	1,195,000
Feeds administrator.....	24,185,000
Flax fibre administrator.....	23,000
Fertilizers and pesticides administrator.....	589,000
Seeds administrator.....	148,000
	\$ 26,454,000

Meat Board.....	14,247,000
Dairy Products Board.....	24,000
Special Products Board.....	1,922,000
Agricultural Food Board.....	45,405,000
Special farm income payments.....	2,000
	\$ 88,054,000

Auditor General—

Auditing and checking war appropriation accounts.....	\$	269,000
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Canadian Mutual Aid Board—

Military relief.....		50,199,000
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Civil Service Commission—

Supply of personnel for war services.....	\$	515,000
Payment of minimum rate railway fare <i>re</i> stenographers and typists.....		12,000
		527,000

External Affairs—

Departmental Administration and Passport Offices.....	147,000
Representatives abroad.....	82,000
Legation building and residence, Chunking, China.....	3,000
Sundries.....	84,000
	316,000

Finance—

Payment of premium on purchase of Dominion of Canada registered stock.....	\$	14,000
Comptroller of Treasury's Office.....		9,215,000

Wartime Prices and Trade Board—

Administration.....	12,720,000
Canadian Wool Board Ltd...	341,000
Commodity Prices Stabiliza- tion Corporation—	
Administration and Sub- sidies.....	107,338,000
	120,399,000

Payments to millers and manufacturers of wheat products.....	19,700,000
Advances to the Canadian Wheat Board to cover deficits in Board operations.....	13,057,000
Old Age Pensions including pensions to blind persons.....	8,788,000
Payment to the Unemployment Insurance Fund in settlement of contributions due the Fund.....	940,000
Dominion-Provincial Conference.....	79,000
Conversion of large dwellings into multiple housing units.....	4,053,000
Administration of Employees Instalment Purchase Plan, Victory Loans.....	184,000
Royal Commission on Co-operatives.....	42,000
Royal Commission on Annuities and Family Corporations.....	23,000
Sundries.....	25,000
	176,519,000

Fisheries—

Subsidies for the construction of packer- seiner vessels.....	116,000
Subsidies for the construction of dragger vessels.....	33,000

Fisheries—Concluded

Construction etc. of experimental long line vessel.....	\$ 36,000
Purchase of fish for Greek Government.....	172,000
Expenses <i>re</i> supply of frozen fish for British Ministry of Food.....	12,000
Bonus to crews of fisheries vessels in war zones.....	17,000
Salt Fish Regulations—Administration.....	18,000
Sundries.....	3,000
	————— \$ 407,000

Justice—

Defence of Canada regulations.....	6,000
War Measures Act.....	4,000
Penitentiaries Branch—	
Purchase of materials <i>re</i> manufactures for war departments.....	35,000
	————— 45,000

Labour—

Industrial training for war work.....	1,617,000
Training of young men for aircraft manufacturing, etc.....	333,000
War emergency training—administration.....	35,000
Vocational training for discharged members of the Canadian Armed forces.....	602,000
National War Labour Board.....	432,000
Wartime Labour Relations Board—	
Administration.....	89,000
Western War Labour Board—	
Administration.....	19,000
Wartime Bureau of technical personnel.....	162,000
Personnel management training.....	5,000
National Selective Service—	
Labour Supply Administra- tion.....	\$ 676,000
Mobilization Division.....	3,019,000
Manpower statistics units....	190,000
Expenses of work done by Unemployment Insurance Commission.....	6,878,000
National Registration—	
administration.....	335,000
	————— 11,098,000
Co-ordination of shiploading and unloading operations at Halifax.....	134,000
Stabilization of longshore labour, Halifax....	670,000
Universities—Accelerating courses and loans to students.....	74,000
General labour transference in war industries and agriculture.....	491,000
Harvest assistance to Provinces.....	482,000
British Columbia Security Commission.....	2,137,000
Organization and operation of day nurseries, etc.....	151,000
Army Labour Account—Revolving Fund....	385,000
Compulsory transfer of ex-coal mine workers back to coal industry.....	70,000

Labour—Concluded

Transportation expenses of members of the armed forces for harvest leave.....	\$ 227,000
Assistance to Provinces in transporting labourers to farms.....	334,000
Industrial Production Co-Operation Board—	
Administration.....	72,000
Sundries.....	45,000
	\$ 19,664,000

Legislation—

Accountable advance to Empire Parliamentary Association.....	2,400
Indemnity and Transportation Expenses—	
Members of the House of Commons and Senate.....	93,600

Mines and Resources—

Mines and Geology—	
Development of tar sands.....	866,000
Oil explorations.....	112,500
Strategic minerals—exploration and development work.....	8,000
Vertical air surveys.....	51,000
New Metallurgical Laboratory.....	25,000
Explosives Division — Administration of regulations <i>re</i> explosives.....	31,000
Assistance to Provinces <i>re</i> transportation facilities to wartime mining projects....	12,000
Metallic Minerals Division—Services to war departments.....	277,000
Sundries.....	6,500
	1,389,000

Lands, Parks and Forests—

National Parks Bureau—Alternative service work camps.....	168,000
Dominion Forest Service—	
Alternative service work camps.....	107,000
Alternative service work camps B.C.....	9,000
Internment and prisoner of war operations.	29,000
Forest Products Laboratories.....	53,000
Bureau of Northwest Territories and Yukon Affairs—	
Expense of liaison officers Alcan and Canol projects.....	5,000
Sundries.....	2,000
	373,000

Surveys and Engineering—

Engineering and Construction Service—	
Prince Rupert—Cedarvale Highway.....	2,500,000
Employment of persons of the Japanese race and Japanese nationals.....	511,000
Post-War Construction—Planning.....	104,000
Geodetic Service—	
Post-War Construction—Planning.....	101,000
Legal Surveys and Map Service—	
Post-War Planning.....	4,000

Surveys and Engineering—*Concluded*

Hydrographic Service—

Post-War Planning.....\$ 14,000

Dominion Water and Power

Bureau—

Tidal power investigations... 25,000

Sundries..... 66,000

\$ 3,325,000

Immigration—

Canadian interests abroad..... 493,000

Grants to National Advisory Committee for children from overseas..... 55,000

Repatriation of wives and dependents of the Canadian forces overseas..... 133,000

Sundries..... 46,000

727,000

\$ 5,814,000

Munitions and Supply—

Administration..... 8,842,000

Expansion of war industry..... 205,038,000

Acquisition of United Kingdom interest in war plants..... 1,964,000

215,844,000

National Defence—Army Services—

Departmental Administration..... 1,550,000

Dependents' Allowance Board..... 686,000

Dependents' Supplementary Grants Fund... 4,041,000

Army..... 1,243,733,000

Internment Operations..... 1,580,000

Inspection Board—United Kingdom and Canada..... 8,362,000

Imperial War Graves Commission..... 30,000

Chemical Warfare Experimental Station..... 1,773,000

1,261,755,000

National Defence—Naval Services—

Navy..... 416,639,000

Royal Canadian Sea Cadets..... 460,000

417,099,000

National Defence—Air Services—

Home War Establishment..... 227,941,000

Overseas Establishment..... 759,070,000

Departmental Administration..... 103,000

British Commonwealth Air Training Plan.... 272,342,000

1,259,456,000

National Harbours Board—

Halifax—Operation of Fire Boat *Rouille*..... 64,000

Installation of additional car dumpers at grain elevator..... 10,000

Special fire protection..... 103,000

Reconstruction of transit shed 21..... 175,000

Saint John—Acquisition, etc., of heavy lift crane equipment..... 4,000

356,000

National Health and Welfare—

Inspection of industrial plants.....	\$ 23,000
Laboratory of hygiene.....	22,000
Public health engineering.....	27,000
Food and drugs.....	10,000
Quarantine service.....	62,000
Processing of blood for dried serum.....	632,000
Maintenance of non-resident seamen.....	33,000
Addition—John Street Laboratories Ottawa..	7,000
Grant to Canadian Nurses Association.....	250,000
Chlorination of Water Systems—	
Pacific Coast.....	189,000
Dawson Creek, B.C. Water Supply.....	25,000
Treatment Canadian fishermen and seamen..	11,000
Hire of Boat—Halifax Harbour.....	18,000
Maintenance of Health Unit, Prince Rupert, B.C.....	4,000
Contribution Toward Health Services, Halifax.....	6,000
Prince Rupert, B.C.—Purchase and installa- tion of water pump.....	2,000
Ottawa Laboratory of Hygiene—	
Construction.....	14,000
Sundries.....	5,000
	—————\$ 1,340,000

National War Services—

Departmental administration.....	74,000
War Charities—General.....	89,000
War Charities—Auxiliary services.....	15,933,000
Salvage Division.....	180,000
Women's voluntary services.....	19,000
Canadian firefighters for United Kingdom....	761,000
Canadian Prisoners of War Next-of-Kin Division.....	15,000
Committee in co-operation in Canadian citizenship.....	14,000
Censorship Division.....	1,856,000
Government Office Economies Control.....	9,000
Canadian Broadcasting Corporation Short Wave Station — Construction & mainte- nance.....	691,000
Red Cross food parcels.....	5,000,000
National Film Board—	
Special War Library..... \$ 36,000	
Purchase of Supplies—Revolv- ing Fund..... 96,000	
Wartime Information Film Programme..... 1,087,000	
Stills production and distri- bution..... 115,000	
Sundry..... 7,000	
	—————\$ 1,341,000
	—————\$ 25,982,000

Post Office—

Canadian Postal Corps.....	\$ 588,000
Mail service for troops overseas.....	212,000
Purchase of tobacco labels for service purchases.....	500,000
	————— \$ 1,300,000

Privy Council—

Statutory Orders and Regulations Division..	29,000
Wartime Information Board.....	1,700,000
Expenses of Special Commission for defence projects in the Northwest.....	16,000
Sundries.....	13,000
	————— 1,758,000

Public Works—

Chief Architect's Branch—

Armoury Accommodation for Canadian Officers' Training Corps Units.....	\$ 50,000
Repairs, alterations, operation and maintenance of buildings.....	2,363,000
Rental of premises occupied for war purposes.....	1,846,000
Furniture, etc. for war employees	672,000

Ottawa—

Temporary Building No. 8 (Carling Avenue).....	307,000
Hostels for junior employees in the public service—construction and furnishings...	1,000
Army Base Post Office— Extension.....	20,000
Temporary Annex to Records Building.....	13,000
Payment of claim <i>re</i> construction of Temporary Building No. 1.....	14,000

Edmonton—

Expropriation of Oliver property.....	27,000
Building for Weights and Measures Office.....	6,000

Halifax—

Extension to Old Salt Fish Building.....	18,000
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Norman Wells, N.W.T.—

Office and living accommodation for government departments.....	8,000
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Quebec—

Conversion of Drill Hall to provide office accommodation.....	9,000
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Sundries.....	3,000
	————— 5,357,000

Public Works—Concluded

Chief Engineer's Branch—

Saint John Harbour (Courtenay
Bay) N.B.—

Dredging.....	\$ 215,000
North Sydney, N.S.— Recon- struction of wharf and ter- minal facilities.....	328,000
Post-War Construction Pro- gramme—	
Preparation of plans.....	142,000
Waterways, Alta—	
Improvements.....	8,000
Dredging.....	33,000
Sundry.....	1,000
	—————\$ 727,000

Telegraph Branch—

To Provide for a 24-hour tele- graph service on the Pacific Coast.....	82,000
Telephone service and unfore- seen.....	308,000
	—————
Contingencies.....	390,000

26,000
—————\$ 6,500,000

Reconstruction—

National Research Council—

Special war activities.....	2,932,000
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Royal Canadian Mounted Police—

Increased activities of the Force due to the war.....	3,578,000
Securities control.....	131,000
	—————

3,709,000

Secretary of State—

Expenses in connection with the Quebec Conference.....	225,000
Sundries.....	19,000
	—————

244,000

Trade and Commerce—

Canadian Shipping Board.....	70,000
Export Permits Board.....	154,000
Shipping Priorities Branch.....	48,000
Revolving Chartering Fund.....	5,000
Gift of wheat to Greece.....	6,749,000
Steamship Stabilization Fund.....	331,000
Canadian Export Board.....	40,000
Government Trade Commissioner's Office— Washington.....	7,000
Investigation of pre-fabricated houses.....	15,000
	—————

7,419 000

Transport—

Departmental administration.....	33,000
Transport Controller's Office.....	323,000
Director of Merchant Seamen, including administration, manning pools, nautical schools and welfare facilities.....	1,593,000

Transport—Continued

Air Service—Special radio interception and monitoring services, etc.—	
Radio service.....	\$ 2,172,000
Meteorological service.....	1,590,000
Municipal terminal airports....	696,000
Moncton-Newfoundland air-line.....	173,000
Montreal (Dorval) Airport—additional facilities.....	930,000
Civil Aviation—Extra airport control.....	464,000
Canadian Government Trans-Atlantic Air Service.....	362,000
Acquisition of airfields and works from United States Government.....	18,661,000
Northwest Staging Route—Construction.....	5,206,000
Goose Bay Airport—Additional facilities.....	67,000
Transportation facilities at Malton and Dorval for employees.....	29,000
Improvements to Tor Bay—St. John's, Newfoundland....	65,000
Meteorological requirements at the Mackenzie River Route..	16,000
Engineering representatives at Canol Project and maintenance of landing strips.....	313,000
Sundries.....	13,000
	————— \$ 30,757,000
Marine Service—	
Aids to navigation, including lightships.....	58,000
Marine Service Steamers.....	190,000
Reconditioning <i>Chesterfield</i> ...	75,000
Nautical Services.....	51,000
Degaussing equipment for Canadian vessels.....	269,000
Compensation to crews of Canadian vessels for personal effects.....	12,000
Purchase, etc. of machinery and equipment for l'Ecole des Arts et Metiers de Rimouski.....	20,000
Marine Service Steamers—	
Repairs to <i>N. R. McLean</i>	59,000
Reconditioning <i>C. G. S. Lady Grey</i>	271,000
General war risk bonus.....	103,000
Dominion Lighthouse Depot, Munitions, Prescott.....	523,000
	————— 1,631,000

Transport—Concluded

Railway Service—

Additional labour and terminal facilities at Halifax..	\$ 29,000
Acquiring properties in Canada for United States Government.....	20,000
Accommodation for freight handlers at Saint John, N.B.	12,000
Contribution <i>re</i> freight rates on ore from Steep Rock Iron Mines.....	12,000
Overhaul, etc. C.N. (W. I.) S.S. Connector.....	260,000
Government Employees Compensation Act.....	68,000
	—————\$ 401,000
	—————\$ 34,738,000

Veterans Affairs—

Treatment—

Defence Forces.....	11,449,000
Royal Canadian Mounted Police.....	95,000
Pensions—Defence Forces.....	11,939,000
Air Raid Precautions.....	484,000
Investigations—Dependents' Allowance Board	62,000
Committee on demobilization.....	3,000
Rehabilitation benefits.....	2,468,000
Detention Allowances—Canadian Seamen....	143,000
Reserve Stores—Revolving Account.....	50,000
Hospital Unit adjacent to Ottawa Civic Hospital.....	13,000
Acquisition of Land—Westminster Hospital, London, Ontario.....	14,000

Additions, Alterations and Improvements to Departmental Hospitals—

St. Anne de Bellevue, Que.— St. Anne's Hospital.....	936,000
Montreal, Que.—Currie Memorial Hospital.....	29,000
Charlottetown, P.E.I. Provincial Sanatorium.....	75,000
Halifax, N.S., Camp Hill Hospital.....	62,000
Gloucester Township, Ont.— Health & Occupation Centre	365,000
Peterborough, Ontario— Hostel.....	57,000
Kingston, Ontario—Women's Hostel.....	52,000
Toronto, Ontario — Christie Street Hospital and Memorial Hospital.....	1,505,000

Veterans Affairs—Concluded**Additions, Alterations and Improvements to Departmental Hospitals—Concluded**

London, Ont.—Westminster Hospital.....	\$ 328,000
Winnipeg, Man.—Deer Lodge Hospital.....	467,000
Regina, Sask.—General Hospital.....	196,000
Calgary, Alta.—Col. Belcher Hospital.....	89,000
Edmonton, Alta.—University Hospital.....	483,000
Vancouver, B.C., Shaughnessy Hospital.....	267,000
Saint John, N.B.—Lancaster Hospital.....	82,000
	————— \$ 4,993,000

Land Purchases for Hospitals—

Victoria—Land for 200 bed Hospital.....	12,000
Montreal, Que.—Currie Memorial Hospital.....	113,000
Halifax, N.S., Purchase of J. C. Tory Property.....	33,000
Saint John, N.B.—Health and Occupational Centre.....	35,000
Ottawa, Ont.—Purchase of Land from Beechwood Cemetery...	45,000
Gloucester Township, Ont.—Purchase of Smythe Estate...	18,000
Purchase of James Dempsey Property.....	9,000
Toronto, Ont.—Purchase of Nathanson Property Health & Occupational Centre.....	45,000
Acquisition of Flanagan Property.....	275,000
Winnipeg, Man.—Purchase of Children's Home to provide accommodation for veterans care cases.....	148,000
Calgary—J. Leslie Bell Property	12,000
	—————
	745,000

Soldier Settlement—Purchase of right-of-way etc. re Canada Alaska Highway.....	26,000
Advertising and radio publicity re measures for rehabilitation of members of the armed forces.....	204,000
Sundries.....	71,000

————— \$ 32,759,000

Total Direct War Expenditures, 1944-45

under War Appropriation Act..... \$3,615,101,000

37. Under The War Appropriation (United Nations Mutual Aid) Acts, \$803,346,000 was expended in the fiscal year ended March 31, 1945. The following table gives the distribution by countries and the type of aid provided.

DISTRIBUTION OF MUTUAL AID BY COUNTRIES

United Kingdom.....	\$ 598,751,973
Union of Soviet Socialist Republics.....	87,436,954
Australia.....	47,672,519
China.....	14,676,879
France.....	17,551,779
New Zealand.....	7,796,734
India.....	14,431,201
British West Indies.....	3,881,858
United Nations Relief & Rehabilitation Administration.....	11,092,754

	\$ 803,292,651

DISTRIBUTION OF MUTUAL AID BY TYPE OF AID

Munitions and Military Supplies, including ships—

Aircraft and parts.....	\$117,850,961
Automotive equipment and mechanical transport.....	131,677,341
Tanks and other fighting equipment.....	38,261,251
Chemicals and explosives.....	12,542,417
Guns and small arms.....	34,560,677
Shells and ammunition.....	103,683,947
Merchant vessels—construction.....	43,074,718
—repairs and servicing.....	5,065,077
Naval vessels and equipment.....	17,947,438
Clothes, clothing and fabrics.....	6,975,606
Radio, electrical and telephone equipment...	30,827,481
Lumber and heavy materials.....	5,938,376
Machine tools and heavy equipment.....	10,281,443
Small tools, stores and miscellaneous.....	2,963,184
Aluminium.....	9,316,915
Other base metals.....	11,844,951
Locomotives and railway rolling stock.....	5,466,328
Freight.....	16,154,930
Cancellation charges.....	3,156
	\$ 604,436,197

Foodstuffs and Farm Products—

Bacon.....	\$ 49,765,350
Canned Pork.....	1,354,835
Offals.....	361,102
Casings.....	429,232
Beef.....	6,725,137
Other meats.....	185,695
Lard.....	2,653,310
Cheese.....	4,214,736
Milk.....	95,000
Eggs.....	8,235,653
Dehydrated Vegetables.....	2,749,010
Fresh Apples.....	59,945
Dried Apple rings.....	581,298
Dried beans and canned corn.....	205,400
Garden seeds.....	20,306
Forage crop seeds.....	284,400
Seed potatoes.....	325,621
Canned salmon.....	193,837
Canned herring.....	1,653,213
Frozen fish.....	1,329,446
Other fish products.....	2,192,281
Wheat.....	47,554,590
Flour.....	37,968,191
Linseed oil.....	1,271,731
Rolled oats.....	923,231
Oatmeal.....	300,105
	————— \$ 171,632,655

General Supplies—

Asbestos.....	954,480
Paper.....	71,499
Farm machinery.....	2,337,967
Boots, clothing and fabrics.....	529,265
Fertilizers and chemicals.....	494,666
Soap.....	572,202
Miscellaneous.....	459,384
	————— 5,419,463

Air Training Services under B.C.A.T.P..... 14,159,836

United Nations Relief and Rehabilitation Administration—
Contribution to Central Committee..... 7,664,500

Administration..... 803,292,651
53,051

————— \$ 803,345,702

SPECIAL EXPENDITURES

38. Special expenditures for the fiscal year ended March 31, 1945, totalled \$7,506,000 compared with \$37,496,000 in the previous fiscal year. This decrease is occasioned mainly by the decrease in the payments of awards to farmers under the Wheat Acreage Reduction Plan.

GOVERNMENT OWNED ENTERPRISES

39. The classification of expenditures entitled Government Owned Enterprises comprises the losses of and non-Active Advances to Government Owned Enterprises which had been established before the war and are operated as separate corporations. As the Canadian National Railways has shown substantial annual surpluses since 1940, expenditure under this heading since the fiscal year 1940-41 has been of minor importance, the total for 1944-45 being \$1,358,000.

Canadian National Railways

40. The operating revenues of the Canadian National Railways for the calendar year 1944 totalled \$441,148,000, the highest in the Company's history.

41. Operating expenses of the Railway amounted to \$362,547,000, an increase of \$38,072,000 over the previous year. This increase was occasioned by the higher wage rates prevailing in 1944, higher prices for materials and additional maintenance expenditures.

42. The net operating revenue of the Railway was \$78,600,000 and after deducting \$10,876,000 for taxes, equipment and joint facility rents, there remained a net railway operating income of \$67,725,000. Other income, less deductions, amounted to \$3,372,000, and accordingly the net income available for payment of interest was \$71,097,000. After payment of interest charges of \$28,136,000 on debt held by the public and interest charges of \$19,934,000 due to the Government in respect of temporary loans for capital and refunding purposes, there was a net cash surplus of \$23,027,000. This cash surplus was paid to the Government in redemption of loans and advances.

43. The operating deficit of the Prince Edward Island Car Ferry and Terminals during 1944 was \$773,000 compared with \$698,000 in the previous year.

Canadian National Steamships

44. The Canadian National (West Indies) Steamships, Limited, in the calendar year 1944 produced an operating profit of \$1,974,000. After payment of \$521,700 in bond interest and exchange and \$181,000 in current interest due to the Government, there was available \$1,271,000 which was paid to the Government in reduction of interest arrears and capital advances.

National Harbours Board

45. The operating income of the National Harbours Board for the calendar year 1944, after payment of interest to the public but before depreciation, reserve for replacements and interest on Government advances totalled \$5,580,-515 compared with \$4,596,917 in 1943. Interest paid to the Government in the fiscal year amounted to \$4,000,000.

46. Financial assistance provided by the Government to the National Harbours Board and charged to expenditure under the category of Government Owned Enterprises totalled \$584,674, divided as follows: \$59,000 for the operating deficit of Churchill Harbour: \$275,000 for non-active advances to meet the deficit of the Jacques Cartier Bridge at Montreal: \$47,500 for the retirement of maturing debentures of the Saint John Harbour Commission and

\$28,000 for capital expenditures, Saint John Harbour; \$16,500 for capital expenditures, Halifax Harbour and \$158,400 for the retirement of maturing debentures of the Three Rivers Harbour Commission. Details of expenditures charged to the War Appropriation are given under "War Expenditures".

47. The elevators at Port Colborne and Prescott operated at a profit during the year and \$291,000 was paid to the Government.

OTHER CHARGES

48. The total of Other Charges, the final category of expenditures was \$47,762,000.

49. The largest item in this category is the amount of \$25,000,000, which has been added to the reserve to meet possible losses on the ultimate realization of active assets. This is the same amount as has been provided in the four previous fiscal years and the total reserve therefore now amounts to \$125,000,000. The annual write-off from active assets of Soldier and General Land Settlement Loans amounted to \$325,000 and the cancellation of Canadian Farm Loan Board Capital Stock amounted to \$1,000. The provision of the reserve and the two write-offs resulted in a proportionate increase in the Dominion's net debt.

50. There was written-off from non-active assets an amount of \$36,000 representing the yearly established losses on Seed Grain and Relief account administered by the Department of Mines and Resources. As this account is classified as a non-active asset and therefore included in the net debt of Canada it is offset by a similar amount on the Revenue side under "Other Receipts and Credits".

51. The remaining items in Other Charges totalling \$22,400,000, relate to the Canadian National Railways Securities Trust stock. The value of this stock which represents the Dominion's equity in the Canadian National Railways increased during the year by \$23,027,000, due to the surplus earnings of the System for 1944, less \$627,000 due to capital abandonments during the year. The Canadian National Railways Securities Trust Stock is carried in the Dominion's books as a non-active asset, and thus the net debt of Canada is not affected by these transactions.

SUMMARY OF EXPENDITURES

52. The grand total of expenditure for the fiscal year 1944-45 under the various categories enumerated, namely Ordinary Expenditures, Capital Expenditures, War Expenditures, Special Expenditures, Losses of and non-active advances to government-owned enterprises, and Other Charges, was \$5,245,612,000.

53. The following table shows the percentage distribution of estimated revenues and expenditures for a number of important items. Receipts from various taxes and other revenue sources, after deducting the \$219,500,000 of income and excess profits taxes estimated as refundable after the war, are shown as percentages both of total revenues and of total expenditures. Similarly, several of the main items of expenditure or groups of such items are shown as percentages both of total expenditures and of total revenues. The purpose of this table is to enable broad conclusions to be drawn as to the relative burdens imposed on the public treasury by the war and the main services or obligations of government.

PERCENTAGE DISTRIBUTION OF REVENUE AND EXPENDITURE, 1944-45

	Amount in thousands of dollars	Percentage of Total Revenue	Percentage to Total Expenditure
	\$	%	%
Ordinary Revenue—			
Customs Import Duties.....	115,091	4.28	2.19
Excise Duties.....	151,922	5.65	2.90
Excise Taxes—sales tax and other excise taxes.....	444,901	16.56	8.48
War Exchange Tax.....	98,164	3.65	1.87
Income tax on persons, corporations, etc. (net).....	977,758	36.39	18.64
Excess Profits Tax (net).....	341,305	12.70	6.51
Succession Duties.....	17,251	0.64	0.33
Other Tax Revenues.....	8,234	0.31	0.16
Total Revenue from Taxes.....	2,154,626	80.18	41.08
Non-tax Revenue.....	145,471	5.41	2.77
Total Ordinary Revenue.....	2,300,097	85.59	43.85
Special Receipts and Credits.....	387,237	14.41	7.38
Grand Total Revenue.....	2,687,334	100.00	51.23
	Amount in thousands of dollars	Percentage of Total Expenditure	Percentage to Total Revenue
	\$	%	%
Ordinary Expenditure—			
Interest on Public Debt.....	318,995	6.08	11.87
Other Public Debt Charges.....	20,851	0.40	0.78
Subsidies and payments to provinces under taxation agreements.....	107,779	2.06	4.01
Old Age Pensions and pensions for blind persons.....	32,187	0.61	1.20
Unemployment Insurance Act, administration and Government's contribution.....	17,861	0.34	0.66
Agriculture.....	9,424	0.18	0.35
Mines and Resources.....	12,296	0.23	0.46
National Revenue.....	20,114	0.38	0.75
Post Office.....	54,629	1.04	2.03
Public Works.....	13,169	0.25	0.49
Transport.....	18,265	0.35	0.68
Veterans Affairs.....	81,031	1.55	3.01
All other.....	60,775	1.16	2.26
Total Ordinary Expenditure.....	767,376	14.63	28.55
Capital Expenditure.....	3,164	0.06	0.12
War Expenditure—			
National Defence—Army.....	1,261,755	24.05	46.95
Navy.....	417,099	7.95	15.52
Air.....	1,259,456	24.01	46.87
Munitions and Supply.....	215,844	4.12	8.03
Other Departments.....	460,946	8.79	17.15
War Appropriation (United Nations Mutual Aid) Acts.....	803,346	15.31	29.89
Total War Expenditure.....	4,418,446	84.23	164.41
Special Expenditure.....	7,506	0.14	0.28
Government Owned Enterprises.....	1,358	0.03	0.05
Other Charges.....	47,762	0.91	1.78
Grand Total Expenditure.....	5,245,612	100.00	195.19

54. It should be noted that many expenditures attributable to the war are not charged to the War Appropriation. The interest on the increased public debt and practically all the expenses of war-expanded departments like the Post Office and National Revenue—are charged to Ordinary Expenditures. Accordingly, the so-called non-war expenditures have increased greatly during

the war despite the fact that the controllable portion has only increased from \$112,200,000 in 1938-39 to \$119,800,000 in 1944-45. The following table gives an analysis of non-war expenditure for the fiscal year 1944-45 and the five previous fiscal years:—

ANALYSIS OF NON-WAR EXPENDITURE (1)

(Millions of Dollars)

	Fiscal Years Ended March 31:					
	1940	1941	1942	1943	1944	1945
1. Grand Total Expenditure.....	680.8	1,249.6	1,885.1	4,387.1	5,322.3	5,245.6
2. Less War Expenditure (2).....	118.3	752.0	1,339.7	3,724.2	4,587.0	4,418.4
3. Total Non-War Expenditure (1).....	562.5	497.6	545.4	662.9	735.2	827.2
<i>Deduct Uncontrollable Items: (3)</i>						
4. Unemployment Insurance (4).....		0.1	9.6	16.1	17.5	17.9
5. Public Debt Charges.....	134.6	145.7	171.6	202.5	262.1	339.8
6. Pensions, Superannuation, etc.....	75.7	74.9	73.7	73.2	72.9	75.2
7. National Revenue Department.....	12.1	12.2	13.4	15.2	17.7	20.1
8. Post Office Department.....	36.7	38.7	41.5	44.7	48.5	54.6
9. Subsidies, and Payments to Provinces under Taxation Agreements.....	19.2	19.2	35.5	108.7	109.9	107.8
10. National Defence Department.....	13.2	0.2	0.3	0.4	0.1	0.1
11. War Service Gratuities and Re-establishment Credits.....						20.2
12. Premium Discount and Exchange.....						16.3
13. Special Expenditure.....	89.1	42.9	64.0	31.3	37.5	7.5
14. C.N.R. Operating Deficits.....	40.1	17.0				
15. Adjustment of C.N.R. Securities Trust Stock for Net Income Surpluses and Capital Gains.....		5.5	4.1	36.1	37.8	22.4
16. Write-down of Assets.....	23.3	29.9	27.9	29.7	25.6	25.4
17. Total to be Deducted (4 to 16).....	444.0	386.3	441.6	558.1	629.6	707.4
18. All Other Non-War Expenditure, (5) (3 minus 17).....	118.5	111.3	103.8	104.8	105.6	119.8

(1) All expenditure not charged to war appropriations.

(2) Expenditure charged to war appropriations.

(3) Including services initiated or expanded during the war as a matter of policy, such as Unemployment Insurance; certain expenditure showing increases largely attributable to the war, such as those of the Departments of National Revenue and Post Office; contractual items; expenditures classed as "Special" (mostly for relief and farm assistance purposes); and certain bookkeeping adjustments.

(4) The Government's contribution and the cost of administration.

(5) Controllable expenditures not specially affected by the war. Note, however, that the war has increased the costs of many of the services concerned, for example by necessitating cost-of-living bonuses.

OVER-ALL DEFICIT

55. As total revenues for the fiscal year ended March 31, 1945 were \$2,687,334,000 and expenditures aggregated \$5,245,612,000, the over-all deficit or increase in net debt for the year was \$2,558,278,000.

LOANS, ADVANCES AND INVESTMENTS

56. In addition to the expenditures already detailed, the Government makes disbursements for the acquisition of investments which are treated as "active" and are deducted from total gross liabilities in arriving at the figure of net debt. The net increase in loans, advances and investments for 1944-45 was \$457,458,000 compared with \$635,341,000 in 1943-44. Details of these increases together with those for the four previous fiscal years will be found in the table on Page 39.

Railway and Steamship Companies—

57. The net increase in this category in the fiscal year ended March 31, 1945 was \$83,608,000, and relates entirely to transactions with the Canadian National Railways.

58. In the fiscal year the Government made net payments to the Canadian National Railways in the amount of \$83,607,995, classified as follows:—

Advances—

Under Canadian National Railways Refunding Act, 1938—	
for retirement of maturing issues.....	\$ 35,000,000
Under Canadian National Railways Refunding Act, 1944—	
for retirement of maturing issues.....	56,684,000
Under Canadian National Railways Financing and	
Guarantee Act, 1940—Purchase of Grand Trunk	
Railway Company of Canada 4% Perpetual Con-	
solidated Debenture Stock.....	425,434
Under Canadian National Railways Financing and Guarantee	
Acts, 1941 and 1942—Purchase of securities from	
Canadian holders.....	58,199
Under the War Appropriation (United Kingdom Financing)	
Act, 1942—Purchase of securities from Government of	
the United Kingdom.....	1,019,149
Total advances by way of loan.....	\$ 93,186,782

Equipment purchased by Government and leased to Rail-

way under Hire-Purchase Agreements:—

1943 Agreement.....	\$ 6,058,498
1944 Agreement.....	14,705,925
Total Equipment Purchased.....	\$ 20,764,423
Total Loans and Equipment Purchased.....	\$ 113,951,205

Repayments—

Application of 1944 Net Income Surplus to advances under	
Refunding Act, 1938.....	\$ 23,026,924
Surplus available from Depreciation Reserves and Debt	
Discount Amortization after providing for capital ex-	
penditures during 1944—Applied to advances under	
the Refunding Act, 1938.....	2,776,532
Financing and Guarantee Act, 1941—Purchase of securities	
	86,312
	\$ 25,889,768

Repayments—Concluded

Repayments of Instalments under Hire—

Purchase Agreements:—

1936 Agreement.....	\$	517,173
1940 Agreement.....		991,968
1941 Agreement.....		1,382,634
1943 Agreement.....		1,561,667
 Total Equipment Repayments.....	\$	 4,453,442
 Total Repayments of Loans and Equipment Repayments.....	\$	 30,343,210
 Net Total Payments on account of Loans and for Equipment Purchased.....	\$	 83,607,995

Foreign Exchange Control Board—

59. During the fiscal year \$265,000,000 was advanced to the Foreign Exchange Control Board to enable the Board to finance the purchase of gold and foreign exchange.

Sundry Government Agencies—

60. The net change in the fiscal year in advances to the National Harbours Board was only \$8,000. Advances of \$19,000 were made for capital purposes at the port of Montreal, while a capital refund of \$11,000 was received from Vancouver.

61. The net increase in the fiscal year in advances for Soldier and General Land Settlement aggregated \$3,948,000. This increase was occasioned by advances of \$7,958,000 under the Veterans' Land Act, less net repayments by settlers and \$325,000 written off and charged to Consolidated Deficit Account.

62. Net advances to Sundry Crown Companies were reduced during the year by \$17,374,000, due principally to the liquidation of inventories, repayment of working capital and transfer of surplus assets to War Assets Corporation. An advance of \$500,000 was made to the Export Credits Insurance Corporation which commenced operations in the fiscal year.

63. Net advances to Sundry Crown Plants—Privately Managed were reduced by \$10,309,000 due principally to the return of working capital provided in prior years.

Provincial and Municipal Governments—

64. Advances under this category increased in the fiscal year by \$15,599,000 due to the Government implementing its guarantee to the chartered banks under the Saskatchewan Seed Grain Loans Guarantee Act, 1938. The net advances for this purpose outstanding at the close of the fiscal year, less repayments recovered from amounts payable to the Province totalled \$15,887,000. Small repayments on Relief Loans were received during the year from Alberta, British Columbia and Saskatchewan. Repayments of \$168,000 were received from municipalities on loans made under the authority of the Municipal Improvements Assistance Act, 1938.

United Kingdom and Other Governments—

65. Net advances under this heading decreased by \$38,272,000 during the year. Food advance accounts for the purchase of food by the United Kingdom increased by \$10,613,000. The Canadian dollar obligation of the Government of the United Kingdom under the authority of the War Appropriation (United Kingdom Financing) Act, 1942, was reduced by \$55,098,000, leaving a balance outstanding of \$602,510,000.

66. Recoverable advances on account of air training increased during the year by \$81,586,000, due to increased advances to the Government of the United Kingdom.

67. Advances to War Supplies Limited were completely liquidated by repayments totalling \$71,158,000.

68. The remaining items in this category covering many departments and governments decreased by \$4,215,000 during the year.

Miscellaneous—

69. In the period from April 1, 1944 to March 31, 1945, 1,065 loans were approved under the National Housing Act, 1938 and 862 under the National Housing Act, 1944, in the amount of \$3,772,740 and \$3,575,785 respectively. During the year repayments of loans exceeded loan disbursements by \$1,240,000, leaving the balance outstanding at March 31, 1945 at \$14,721,232.

70. Loans by the Department of Munitions and Supply to private companies under the authority of the War Appropriation Act increased by \$7,975,000 in the fiscal year ended March 31, 1945.

Investments—

71. The Government's investment in the Canadian Farm Loan Board decreased during the year by \$5,001,000, due to the purchase by the Board out of its surplus funds of \$5,000,000 of its $3\frac{1}{2}\%$ bonds due January 2, 1960. In addition \$1,000 of the Board's capital stock was written off to Consolidated Deficit Account. At the end of the fiscal year the Government's investment in the Canadian Farm Loan Board totalled \$24,024,000.

72. Miscellaneous investments increased during the year by \$153,552,000. The main item in this category is the Securities Investment Account consisting chiefly of the cost of acquisition of Dominion Government direct and guaranteed securities including Victory Bonds held under instalment purchase plans for civil servants and members of the Armed Forces.

73. The following table gives the details of the annual changes in loans, advances and investments in the fiscal year ended March 31, 1945 and the four previous fiscal years.

ANNUAL CHANGES IN ACTIVE LOANS AND ADVANCES AND INVESTMENTS,
1940-41 TO 1944-45

(In thousands of dollars)

	Fiscal Years Ended March 31				
	1941	1942	1943	1944	1945
<i>Loans and Advances—</i>					
RAILWAY AND STEAMSHIP COMPANIES					
1. Canadian National Railways.....	113,747	251,240	142,539	Cr. 3,907	83,608
2. Canadian National Steamships — Canadian Government Merchant Marine Ltd.....	800	Cr. 800	.....	.....	.....
3. Canadian Pacific Railway Co.....	6,396	Cr. 2,085	Cr. 12,814	.....	.....
4. Net Total, Railway and Steamship Companies.....	120,943	248,355	129,725	Cr. 3,907	83,608
5. Foreign Exchange Control Board.....	325,000	400,000	Cr. 325,000	185,000	265,000
SUNDY GOVERNMENT AGENCIES					
6. Canadian Broadcasting Corporation.....	Cr. 364	Cr. 283	Cr. 503	.....	.....
7. National Harbours Board.....	Cr. 333	Cr. 980	Cr. 267	Cr. 127	8
8. Soldier Settlement of Canada.....	Cr. 2,150	Cr. 1,791	Cr. 1,692	Cr. 2,090	3,948
9. Sundry Crown Companies (war activities).....	9,866	15,397	45,140	63,317	Cr. 17,374
10. Sundry Crown Plants, privately managed (war activities).....	.....	.....	.....	57,007	Cr. 10,309
11. Other.....	1	8	4	Cr. 11	38
12. Net Total, Sundry Government Agencies.....	7,020	12,351	42,682	118,096	Cr. 23,689
13. Provincial and Municipal Governments.....	1,656	Cr. 629	Cr. 899	Cr. 437	15,599
UNITED KINGDOM AND OTHER GOVERNMENTS					
14. United Kingdom, food advance accounts.....	.....	.....	6,755	13,244	10,613
15. United Kingdom, loan under The War Approp- riation (U.K. Financing) Act, 1942.....	.....	.....	700,000	Cr. 42,392	Cr. 55,098
16. United Kingdom, Australia, and New Zealand —air training accounts.....	33,956	72,199	56,360	205,403	81,586
17. Union of Soviet Socialist Republics, loan for the purchase of wheat.....	.....	.....	917	9,083	.....
18. War Supplies Ltd., for munitions to be sold to the United States of America.....	.....	.....	83,042	Cr. 11,884	Cr. 71,158
19. Sundry Governments, miscellaneous recover- able accounts.....	6,444	7,405	661	16,766	Cr. 4,215
20. Net Total, U.K. and other Governments.....	40,400	79,604	847,735	190,220	Cr. 38,272
MISCELLANEOUS					
21. Dominion and National Housing Acts.....	3,805	2,644	239	Cr. 532	Cr. 1,240
22. Sundry munitions contractors, etc. (Depart- ment of Munitions and Supply).....	25	9,260	3,640	Cr. 3,964	7,975
23. Sundry loans and advances.....	Cr. 124	Cr. 651	Cr. 329	Cr. 61	Cr. 126
24. Net Total, Miscellaneous.....	3,706	11,253	3,550	Cr. 4,557	6,661
25. Net Total, All Loans and Advances.....	498,725	750,934	697,793	484,415	308,907
INVESTMENTS					
26. Canadian Farm Loan Board.....	850	Cr. 985	Cr. 2,507	Cr. 5,005	Cr. 5,001
27. Other investments.....	Cr. 38,524	6,530	Cr. 7,645	155,931	153,552
28. Net total, Investments.....	Cr. 37,674	5,545	Cr. 10,152	150,926	148,551
29. Net Total of changes in Loans and Advances and Investments.....	461,051	756,479	687,641	635,341	457,458

LOAN FLOTATIONS

74. In the fiscal year ended March 31, 1945, the Dominion issued securities in the domestic market in an amount of \$4,069,222,680. This amount includes the net increase of \$20,000,000 in Treasury Bills and \$210,000,000 in Deposit Certificates outstanding, but does not include the amount of the recurring issues of Treasury Bills and Deposit Certificates issued to refund similar securities maturing during the year. In the fiscal year \$1,241,580,589 of Dominion obligations matured or were called for redemption, leaving the sum of \$2,827,642,-091, less cost of flotations, available for direct and indirect war expenditures.

The following table gives the details of issues sold during the year, divided as to original issue by sales to the Bank of Canada, the chartered banks and the general public (it does not include the \$33,293,471, 4% School Lands Debentures held by the Prairie Provinces which were again renewed for one year):

LOAN FLOTATIONS, 1944-45

	Issue Date	Maturity Date	Interest Rate	Price to Government	Yield at Price to Government	Total Amount Issued	Renewals or Conversions included in Amount Issued	Amount Issued for cash
			%	\$	%	\$	\$	\$
Treasury Bills (net increase).....						20,000,000		20,000,000
<i>Sold to Bank of Canada</i>								
One Year Notes.....	April 15, 1944.	April 15, 1945...	1	100 00	1.00	250,000,000	250,000,000	250,000,000
Two Year Notes.....	April 15, 1944.	April 15, 1946...	1 $\frac{3}{8}$	99 85	1.45	100,000,000	100,000,000	100,000,000
Six Months Notes.....	Sept. 1, 1944.	March 1, 1945...	1 $\frac{1}{2}$	100 00	0.75	104,000,000	104,000,000	104,000,000
Six Months Notes.....	Oct. 16, 1944.	April 16, 1945...	1 $\frac{1}{2}$	100 00	0.75	102,000,000	102,000,000	102,000,000
Six Months Notes.....	March 1, 1945.	Sept. 1, 1945...	1 $\frac{1}{2}$	100 00	0.75	154,000,000	154,000,000	154,000,000
<i>Sold to Chartered Banks</i>						710,000,000	710,000,000	710,000,000
Deposit Certificates (not increase).....			$\frac{3}{4}$	100 00	0.75	210,000,000	210,000,000	210,000,000
<i>Sold to General Public</i>								
Sixth Victory Loan.....	May 1, 1944.	March 1, 1948...	1 $\frac{1}{4}$	99 59	1.86	239,713,000		
Sixth Victory Loan.....	May 1, 1944.	June 1, 1960...	3	99 37	3.05	1,165,300,350		1,165,300,350
Seventh Victory Loan.....	Nov. 1, 1944.	Nov. 1, 1948...	1 $\frac{1}{4}$	99 61	1.85	344,267,000		
Seventh Victory Loan.....	Nov. 1, 1944.	Feb. 1, 1962...	3	99 39	3.05	1,315,639,200	147,544,000	1,512,362,200
War Savings Certificates and Stamps (net).....		June 15, 1947...	3 $\frac{1}{2}$	100 00	(1)3.00	28,801,982		28,801,982
Non-Interest Bearing Certificates (net).....						2,207,677		2,207,677
Grand Total.....						3,095,929,209	147,544,000	2,948,385,209
						4,035,929,209	857,544,000	3,178,385,209

(¹) Yield to investor if held to maturity, seven and one-half years after issue date, amount issued includes interest accrued during the year on outstanding certificates.

75. In the fiscal year 1944-45, the Sixth and Seventh Victory Loans were sold, both being larger than any previous Canadian loan sold for cash. The Sixth Victory Loan was sold entirely for cash in the amount of \$1,405,013,350, the number of subscriptions being 3,077,123. The Seventh Victory Loan was sold in the amount of \$1,512,362,200 for cash and \$147,544,000 in conversion of bonds maturing or called for redemption on October 15, 1944. The number of cash subscriptions was 3,306,990 and the number of conversion subscriptions was 20,325.

76. The following table sets out the bond redemptions in the fiscal year ended March 31, 1945:

DOMINION OF CANADA BOND REDEMPTIONS 1944-45

Maturity or Call Date	Interest Rate	Where Payable	Amount
	%		\$
April 15, 1944.....	1	Canada.....	250,000,000
April 15, 1944.....	1½	Canada.....	100,000,000
June 1, 1944.....	2	Canada.....	90,625,000
July 1, 1944.....	4	Canada.....	33,293,471
September 1, 1944.....	1½	Canada.....	150,000,000
October 15, 1944.....	4½	Canada.....	50,000,000
October 15, 1944 (¹).....	3½	Canada.....	138,322,000
October 16, 1944.....	1½	Canada.....	200,000,000
November 15, 1944.....	2½	Canada.....	20,000,000
March 1, 1945.....	½	Canada.....	104,000,000
March 1, 1945.....	2	Canada.....	105,000,000
October 1, 1947 (²).....	2½	London.....	68,945
May 1, 1955 (³).....	3½	London.....	134,077
September 1, 1958 (⁴).....	4	London.....	90,481
July 1, 1963 (⁴).....	3½	London.....	46,615
Total.....			1,241,580,589
Less amounts renewed or converted (⁴).....			890,837,471
Provided from cash resources.....			350,743,118

(¹) Maturity date October 15, 1949, called for redemption on October 15, 1944.

(²) This issue was vested by the Treasury of the United Kingdom in January, 1942. The amount (at par of exchange) purchased in the fiscal year 1944-45 was cancelled.

(³) These issues were vested by the Treasury of the United Kingdom in August, 1941. The amounts (at par of exchange) purchased in the fiscal year 1944-45 were cancelled.

(⁴) Total from previous table \$857,544,000 and School Lands Debenture Stock, viz. \$33,293,471.

77. The fortnightly issue of three months' Treasury Bills was continued during the year and the amount was increased by \$20,000,000 to \$380,000,000. The last issue in the fiscal year was sold at a discount of 365 per cent.

The average rate of interest on the Dominion's direct funded debt (including Treasury Bills and Deposit Certificates) outstanding at March 31, 1945, was 2.51 per cent. This compares with 2.54 per cent on the debt outstanding at the close of the preceding year.

CASH DEFICIENCY

78. The following table shows the total cash deficiency of the Government for the fiscal year ended March 31, 1945, at \$2,955,000,000. The comparable figure for the previous fiscal year was \$3,065,600,000.

79. The significant thing is that while the budgetary deficit for 1944-45 was \$2,558,277,000, the cash deficiency (that is the excess of cash requirements over receipts other than borrowing) was \$396,700,000 greater. It is the sum of \$2,955,000,000 which had to be met by borrowing from the Canadian people.

REQUIREMENTS FOR AND SOURCES OF CASH, FISCAL YEAR 1944-45 (1)
(Millions of Dollars)

REQUIREMENTS FOR CASH

Non-War Requirements (2)—

Expenditure—

Interest on the public debt.....	\$ 319.0
Payments to provinces under the tax agreements.....	93.3
Other Ordinary Expenditure (3).....	325.9
	\$ 738.2
Capital Expenditure.....	3.2
Special Expenditure.....	7.5
Government Owned Enterprises.....	1.4

Total Non-War Cash Expenditure (3) (4)..... \$ 750.3

Outlay that Increased Assets or Decreased Liabilities—

Active loans, advances, investments, etc.—

Bond Holding Account (including repatriated securities and bonds held under instalment purchase plans).....	151.3
Canadian National Railways (5).....	71.0
Other (net).....	24.2
	246.5
Sub-total.....	246.5
Cost of loan flotations, portion to be amortized.....	17.9
Reduction of New York indebtedness (6).....	0.9
Purchase price of increase in holdings of gold and U.S. dollars (7).....	119.4
	384.7
	\$ 1,135.0

War Requirements (2)—

Expenditure—

Department of National Defence—	
Army.....	\$ 1,238.6
Navy.....	417.1
Air Force.....	1,259.5
Department of Munitions and Supply.....	184.8
Other Departments.....	461.0
	3,561.0
Total War Appropriation Act.....	\$ 3,561.0
The War Appropriation (United Nations Mutual Aid) Acts.	803.3
	4,364.3

Outlay that Increased Assets or Decreased Liabilities—

Active loans, advances, investments, etc.—

Department of National Defence recoverable advances.....	80.4
Foreign Exchange Control Board.....	265.0
Canadian National Railways (5).....	18.3
Other (net).....	-139.0
	224.7
Sub-total.....	224.7
Revaluation of war plants.....	-7.1
Reduction of London indebtedness (8).....	0.3
Less purchase price of decrease in holdings of sterling balances.....	-11.9
	206.0
	\$ 4,570.3
Total Requirements for Cash.....	5,705.3

FOOTNOTES

(1) "Cash" and "non-cash" transactions are sometimes difficult to define; for example, interest payments to certain trust and other accounts are left on deposit with the Receiver General. Those here treated as non-cash are limited to adjustments to the valuation of assets and liabilities, and the amortization of loan flotation charges.

(2) War requirements means outlays under the war appropriation acts and such other accounts as obviously relate to the war; non-war means all other requirements.

(3) Excluding the amortization of bond discounts and commissions, \$12.8 million.

REQUIREMENTS FOR AND SOURCES OF CASH, FISCAL YEAR 1944-45
(Millions of Dollars)

SOURCES OF CASH

Revenue—

Ordinary Revenue—

Customs duties, excise duties, and excise taxes.....	\$ 810.1
Personal income tax.....	767.8
Corporate income tax.....	276.4
Excess profits tax.....	465.8
Other tax revenue.....	54.0

Total tax revenue.....	\$ 2,374.1
Post Office revenue.....	66.1
Return on investments.....	60.7
Other Ordinary Revenue (8).....	20.0

Gross Ordinary Revenue (8).....	\$ 2,520.9
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Less estimated refundable portion of personal income tax and	
excess profits tax.....	—219.5

Capital Refunds.....	\$ 2,301.4
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Special Receipts and Credits (9).....	0.7
---------------------------------------	-----

356.4	\$ 2,658.5
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Other Receipts—

Miscellaneous receipts and credits on war account.....	32.2
Miscellaneous receipts and credits on non-war account.....	59.5

91.7

Borrowing in Canada—

New Issues of Funded Debt—

Treasury Bills, net increase.....	\$ 20.0
Chartered banks, net.....	112.0
General public (10).....	2,948.4

3,080.4

—252.4

219.3

Less Maturities paid off in cash.....	
Estimated refundable portion of personal income tax and excess profits tax.....	

Net increase in funded debt.....	3,047.3
Net increase in floating debt.....	59.5

3,047.3

59.5

Net increase in funded and floating debt.....	3,106.8
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<i>Increase in Cash Balances</i> held in domestic currency.....	—151.8
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2,955.0

Total of borrowing less increase in cash balances (equals "cash deficiency").....	
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Total sources of Cash.....	\$ 5,705.3
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FOOTNOTES—Concluded

(4) Excluding the write-down of assets, \$25.4 million, and adjustments of the valuation of C.N.R. Securities Trust Stock due to the net income surplus and capital gain, \$22.4 million.

(5) For details see page 36. The advances treated as relating to the war are those for the repatriation of sterling securities, and the purchase of equipment leased to the railway under the terms of the 1940 and subsequent agreements.

(6) Including both matured and unmatured funded debt, and the premium or discount on foreign funds.

(7) Computed by adding the 10% exchange premium to the change during the year. The figures exclude changes in funds held for special purposes.

(8) Adjusted by the addition of \$1.3 million (net) with respect to Premium, Discount and Exchange arising out of the fact that foreign exchange is valued at par on the balance sheet, but is valued at current levels for the purpose of this table.

(9) Excluding the adjustment of the reserve against losses of the Canadian Wheat Board, and the entry recording the increase in value of the C.N.R. Securities Trust Stock.

(10) Includes the increase in value of War Savings Certificates during the year due to interest accruals, \$5.8 million.

NATIONAL DEBT

80. The gross unmatured funded debt (including Deposit Certificates, Treasury Bills and the estimated refundable portion of personal income tax and excess profits tax) of the Dominion outstanding at the close of the fiscal year 1944-45, was \$13,983,764,000. Other liabilities consisting chiefly of Deposit and Trust Accounts, Insurance, Pension and Guaranty Accounts totalled \$1,728,418,000 on the same date. The gross liabilities of the Dominion on March 31, 1945, were \$15,712,182,000. On the other side of the balance sheet there are active assets totalling \$4,413,820,000, consisting of cash, loans and advances and investments, less a reserve of \$125,000,000 for possible losses on their ultimate realization. If the amount of net active assets is deducted from the amount of gross liabilities, there results a figure of \$11,298,362,000, representing the net debt of the Dominion as at March 31, 1945. The increase in the net debt in the year was \$2,558,278,000, or the amount of the over-all deficit for the fiscal year 1944-45.

81. The following is a condensed balance sheet of the Dominion, together with details of non-active assets:

BALANCE SHEET—MARCH 31, 1945

(Thousands of Dollars)

Liabilities—

Floating Debt—

Matured Funded Debt Outstanding.....	\$ 18,701
Stock and other obligations payable on demand.....	419
Interest due and outstanding.....	28,835
Outstanding cheques and warrants.....	112,547
Post Office Account.....	4,565
	<hr/>
	\$ 165,067

Deposit and Trust Accounts—

Post Office Savings Bank Deposits.....	33,469
Bank Circulation Redemption Fund.....	2,259
Indian Trust Funds.....	16,638
Miscellaneous.....	941,235
	<hr/>
	993,601

Insurance, Pension and Guaranty Accounts—

Government Annuities.....	243,538
Insurance Fund—Civil Service.....	18,020
Insurance Fund—Returned Soldiers.....	22,762
Unemployment Insurance Fund (Cash portion only).....	6,103
Other Insurance Funds.....	21,951
Civil Service Superannuation Account.....	79,147
Civil Service Retirement Fund.....	13,923
Other Pension Funds.....	1,028
	<hr/>
	406,472

Deferred Credits.....

26,379

Sundry Suspense Accounts.....

81,334

Province Debt Accounts.....

11,920

Reserve for Certain Contingent Liabilities.....

43,645

Funded Debt Unmatured—

Payable in Canada—	
Bonds, Deposit Certificates and Treasury Bills.....	13,194,427
Refundable Portion of Personal Income Tax and Excess Profits Tax (estimated).....	444,271
Payable in London.....	12,066
Payable in New York.....	333,000
	<hr/>
	\$ 15,712,182

BALANCE SHEET—MARCH 31, 1945—Concluded

Assets—

Cash—			
In Current Deposits.....	\$	154,974	
In Special Deposits.....		2,793	
			\$ 157,767
Departmental Working Capital Advances.....			7,374
Loans and Advances—			
To Railway and Steamship Companies—			
Canadian National Railways.....	\$	655,915	
Canadian National (West Indies) Steamships Ltd...		450	
			656,365
To Foreign Exchange Control Board.....			850,000
To Sundry Government Agencies—			
Soldier Settlement of Canada.....		34,055	
National Harbours Board.....		85,031	
Crown Companies.....		116,346	
Crown Plants Privately Managed.....		46,698	
Other.....		40	
			282,170
To Provincial and Municipal Governments—			
Unemployment Relief Loans.....		156,291	
Province of Alberta—Subsidy overpayment.....		350	
Province of Saskatchewan—Seed Grain Loans Guarantee 1938.....		15,887	
Municipal Improvements Assistance Act.....		5,543	
Other.....		183	
			178,254
To United Kingdom and Other Governments—			
United Kingdom—War Appropriation (United King- dom Financing) Act.....		602,510	
Government of Greece.....		6,525	
Government of Roumania.....		24,329	
Government of the Union of Soviet Socialist Re- publics.....		10,000	
Other.....		508,488	
			1,151,852
Miscellaneous—			
Dominion and National Housing Acts.....		14,721	
Other.....		20,345	
			35,066
			3,153,707
Investments—			
Bank of Canada—Capital stock.....		5,920	
Canadian Farm Loan Board—			
Advances and Capital Stock.....		24,024	
Miscellaneous.....		343,963	
			373,907
Province Debt Accounts.....			2,296
Deferred Charges—Unamortized Discounts and Commissions on Loans.....			86,739
Sundry Suspense Accounts.....			757,030
			4,538,820
Less—Reserve for possible losses on ultimate realization of active assets.....			— 125,000
			4,413,820
Net Debt, March 31, 1945.....	\$	11,298,362	

NET DEBT—MARCH 31, 1945
(Thousands of Dollars)

Net Debt represented by—

(A) Expenditures for Capital Purposes and Non-Active Assets—

Public Works—			
Canals.....			\$ 240,237
Railways.....			427,014
Miscellaneous.....			315,005
Military Property and Stores.....			12,617
Territorial Accounts.....			9,896
Canadian Pacific Railway (old).....			62,791
Canadian National Railways Securities Trust Stock.....			359,081
Canadian National Railways Stock.....			18,000

Loans Non-Active—

Canadian National Steamships.....			13,158
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National Harbours Board—

Chicoutimi.....		\$ 3,838	
Churchill.....		10	
Halifax.....		12,502	
Montreal (Jacques Cartier Bridge).....		5,840	
Quebec.....		27,766	
Saint John.....		17,056	
Three Rivers.....		3,980	
Soldier and General Land Settlement.....			70,992
Seed Grain and Relief Advances.....			16,526
Saskatchewan Seed Grain Loans Guarantee Act, 1936.....			239
Seed Grain Loans Guarantee Act, 1937.....			2,637
Miscellaneous Non-Active Accounts.....			7,136
			2,458
			1,557,787

(B) Consolidated Deficit Account—

Balance, Consolidated Deficit Account brought forward from March 31, 1944.....		7,207,056	
Excess of expenditure over revenue, less amounts charged under A above, fiscal year ended March 31, 1945.....		2,533,519	
			9,740,575
			\$ 11,298,362

82. The following table gives the details of the various obligations included in the unmatured funded debt of the Dominion outstanding as at March 31, 1945, and the annual interest charges thereon:

UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1945,
AND ANNUAL INTEREST THEREON

Date of Maturity	Rate Per Cent	Where Payable	Amount of Loan	Annual Interest Charges	
				\$	c.
1945, April 15.....	1	Canada	250,000,000 00	2,500,000 00	
April 16.....	.75	Canada	102,000,000 00	765,000,00	
July 1.....	4	Canada	33,293,470 85	1,331,738 83	
July 2.....	1½	Canada	450,000,000 00	6,750,000 00	
Sept. 1.....	.75	Canada	154,000,000 00	1,155,000 00	
1946, Feb. 1.....	4½	Canada	45,000,000 00	2,025,000 00	
April 15.....	1½	Canada	100,000,000 00	1,375,000 00	
May 1.....	1½	Canada	144,253,000 00	2,524,427 50	
Nov. 1.....	1½	Canada	197,455,000 00	3,455,462 50	
Dec. 15.....	2	Canada	193,286,000 00	3,865,720 00	
1947, May 1.....	1½	Canada	373,259,000 00	6,532,032 50	
Oct. 1.....	2½	London	103,084 94		2,577 12
1948, Jan. 15.....	2½	New York	30,000,000 00		750,000 00
Feb. 1.....	3½	Canada	50,000,000 00		1,625,000 00
Mar. 1.....	2½	Canada	269,879,000 00		6,072,277 50
Mar. 1.....	1½	Canada	239,713,000 00		4,194,977 50
Nov. 1.....	1½	Canada	344,267,000 00		6,024,672 50
1949, Feb. 1.....	3½	Canada	50,000,000 00		1,625,000 00
June 1.....	3½	Canada	33,500,000 00		1,088,750 00
1950, Feb. 1.....	3½	Canada	50,000,000 00		1,625,000 00
1951, Feb. 1.....	3½	Canada	(1) 50,250,000 00		1,625,000 00
June 15.....	3	Canada	(2) 649,969,592 50		19,306,027 50
Nov. 15.....	3½	Canada	60,000,000 00		1,950,000 00

UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1945,
AND ANNUAL INTEREST THEREON—Concluded

Date of Maturity	Rate Per Cent	Where Payable	Amount of Loan	Annual Interest Charges	
				\$	c.
1952, Feb. 1.....	3 ¹ ₄	Canada	(³) 50,500,000 00	1,625,000	00
Oct. 1.....	3	Canada	324,945,700 00	9,748,371	00
Oct. 15.....	4	Canada	56,191,000 00	2,247,640	00
1953, Jan. 15.....	3	New York	30,000,000 00	900,000	00
1954, Mar. 1.....	3	Canada	(⁴) 676,355,489 00	20,089,767	00
1955, May 1.....	3 ¹ ₄	London	4,958,401 84	161,148	06
June 1.....	3	Canada	40,000,000 00	1,200,000	00
June 1.....	3	Canada	55,000,000 00	1,650,000	00
1956, Nov. 1.....	4 ¹ ₂	Canada	43,125,700 00	1,940,656	50
Nov. 1.....	3	Canada	(⁵) 855,607,410 50	25,414,081	50
1957, May 1.....	3	Canada	1,111,261,650 00	33,337,849	50
Nov. 1.....	4 ¹ ₂	Canada	37,523,200 00	1,688,544	00
1958, Jan. 15.....	3	New York	30,000,000 00	900,000	00
June 1.....	3	Canada	88,200,000 00	2,646,000	00
Sept. 1.....	4	London	3,345,182 58	133,807	30
Nov. 1.....	4 ¹ ₂	Canada	276,687,600 00	12,450,942	00
1959, Jan. 1.....	3	Canada	1,197,324,750 00	35,919,742	50
Nov. 1.....	4 ¹ ₂	Canada	289,693,300 00	13,036,198	50
1960, June 1.....	3	Canada	1,165,300,350 00	34,959,010	50
Oct. 1.....	4	New York	100,000,000 00	4,000,000	00
1961, Jan. 15.....	3 ¹ ₄	New York	48,000,000 00	1,560,000	00
1962, Feb. 1.....	3	Canada	1,315,639,200 00	39,469,176	00
1963, July 1.....	3 ¹ ₄	London	3,658,863 50	118,913	00
1966, June 1.....	3 ¹ ₄	Canada	54,703,000 00	1,777,847	50
1967, Jan. 15.....	3	New York	55,000,000 00	1,650,000	00
1968, Nov. 15.....	3	New York	40,000,000 00	1,200,000	00
Perpetual.....	3	Canada	55,000,000 00	1,650,000	00
1945, April 13 Treasury Bills.....	.371	Canada	65,000,000 00	241,150	00
April 27 Treasury Bills.....	.371	Canada	65,000,000 00	241,150	00
May 11 Treasury Bills.....	.371	Canada	55,000,000 00	204,050	00
June 1 Treasury Bills.....	.368	Canada	65,000,000 00	239,200	00
June 15 Treasury Bills.....	.365	Canada	65,000,000 00	237,250	00
June 29 Treasury Bills.....	.365	Canada	65,000,000 00	237,250	00
April 3 Deposit Certificates	.75	Canada	130,000,000 00	975,000	00
April 10 Deposit Certificates	.75	Canada	50,000,000 00	375,000	00
April 17 Deposit Certificates	.75	Canada	140,000,000 00	1,050,000	00
April 24 Deposit Certificates	.75	Canada	145,000,000 00	1,087,500	00
Aug. 28 Deposit Certificates	.75	Canada	57,100,000 00	428,250	00
Sept. 4 Deposit Certificates	.75	Canada	88,920,000 00	666,900	00
Sept. 11 Deposit Certificates	.75	Canada	128,980,000 00	967,350	00
Sept. 18 Deposit Certificates	.75	Canada	110,000,000 00	825,000	00
Sept. 25 Deposit Certificates	.75	Canada	.150,000,000 00	1,125,000	00
1945, June 15 Non-interest Bearing Certificates.....		Canada	6,443,644 39	.....	.....
1947, June 15 Non-interest Bearing Certificates.....		Canada	5,808,558 38	.....	.....
War Savings Certificates.....	3	Canada	261,696,507 09	7,850,895	21
War Savings Stamps.....		Canada	7,294,936 75	.....	.....
			13,539,492,592 32	346,394,303	58
Refundable portion of personal income tax and excess profits tax (estimated).....	2	.....	444,270,982 59	(⁶) 5,195,447	69
			13,983,763,574 91	351,589,751	27
Payable in Canada.....			\$ 13,638,698,042 05	97.53%	
Payable in New York.....			333,000,000 00	2.38%	
Payable in London.....			12,065,532 86	0.09%	
			13,983,763,574 91	100.00%	

(¹) Redeemable at 100¹₂ per cent. Amount outstanding includes \$ 250,000.00 redemption bonus.

(²) Redeemable at 101 per cent. Amount outstanding includes \$6,435,342.50 redemption bonus.

(³) Redeemable at 101 per cent. Amount outstanding includes \$ 500,000.00 redemption bonus.

(⁴) Redeemable at 101 per cent. Amount outstanding includes \$6,696,589.00 redemption bonus.

(⁵) Redeemable at 101 per cent. Amount outstanding includes \$8,471,360.50 redemption bonus.

(⁶) Interest on refundable portion of personal income tax only.

INDIRECT LIABILITIES

83. Bonds and debenture stocks bearing the guarantee of the Dominion and outstanding in the hands of the public totalled \$606,665,000 at March 31, 1945 or a decrease of \$92,778,000 from the amount outstanding at the close of the previous year. This decrease is occasioned mainly by the redemption of two Canadian National Railway Company bond issues on May 1, 1944 and July 1, 1944 (due July 1, 1969 but called for prior payment) outstanding in the amounts of \$35,000,000 and \$56,684,000 respectively. The funds required to meet these maturities were loaned to the Company by the Government.

84. There were also outstanding at the close of the fiscal year other contingent liabilities authorized by various statutes.

85. Guaranteed bank advances to the Canadian Wheat Board totalled \$71,166,000 at March 31, 1945, and related to wheat in the amount of \$65,564,000; to flax in the amount of \$5,211,000 and to rapeseed and sunflower seed in the amount of \$391,000.

86. Pursuant to the terms of an Order in Council dated August 11, 1943, the Commodity Prices Stabilization Corporation, a Government-owned Corporation, guaranteed certain advances, obtained by any person engaged in the production of logs or lumber, from a chartered bank. The liability of the Corporation is limited to twenty-five per cent of the aggregate advances made by each bank. The contingent liability of the Corporation at March 31, 1945, was \$27,400.

87. Under the terms of an Order in Council dated April 6, 1944, the Commodity Prices Stabilization Corporation was authorized to guarantee certain advances and interest thereon obtained by any person from a chartered bank in order to purchase coal, coke or briquettes in the summer of 1944. The liability of the Corporation is limited to ten per cent of the aggregate amount of advances made by each bank, but the maximum amount of guarantee is \$500,000. The contingent liability of the Corporation at March 31, 1945, was \$39,277.

88. Under the terms of an Order in Council dated May 4, 1943, the Government guaranteed bank overdrafts obtained by certain Crown companies and management-fee companies doing business under the Department of Munitions and Supply. Prior to the establishment of this system of financing, funds advanced by the Government to the contractors remained idle for considerable periods. The amounts of the various overdrafts are repaid monthly, so no liability is outstanding at the close of the fiscal year in connection with this guarantee. The maximum amount of guarantees authorized at March 31, 1945, was \$110,581,000.

89. Before operations under the Home Improvement Loans Guarantee Act were discontinued (October 30, 1940) 125,720 loans had been made by banks and other approved loaning institutions to home owners under the terms of this Act and the total amount of such loans was \$49,959,055. The Dominion's contingent liability arising out of these loans is limited to 15 per cent. of the aggregate of such loans made by approved lending institutions, but as the balance of these loans on March 31, 1945 was \$246,120, the contingent liability of the Government is limited to this amount. Up to March 31, 1945, 1,249 loss claims for an aggregate amount of \$454,018 had been paid. In terms of total losses to total volume of loans, this loss ratio is only .909 of one per cent.

90. Under the provisions of the Appropriation Act No. 5, 1942, the Home Extension Plan was started. It provided for loans not exceeding in the aggregate \$2,000,000 by banks under regulations similar to those of the Home Improvement Loans Guarantee Act for the purpose of financing the creation of additional

self-contained housing units by alterations or additions to a building used solely or partially as a dwelling at the time application is made for the loan. To March 31, 1945, 59 loans for a total amount of \$109,238 had been made. The Dominion's contingent liability arising out of these loans amounted to 15 per cent. of the aggregate of such loans made by the banks or \$16,309. There have been no claims for loss made by the banks.

91. Under the Dominion Housing Act, 1935, the National Housing Act, 1938, and the National Housing Act, 1944, the Dominion has accepted and is accepting certain obligations arising out of its contracts with approved lending institutions which, while not expressed in the form of a guarantee, may nevertheless be regarded as contingent or indirect liabilities.

92. The manner in which losses in respect of any loan are to be shared by the Dominion and the lending institution is fixed by the contract. The general principle under the Dominion Housing Act and the National Housing Act, 1938, is that the Dominion bears two-thirds of the loss, if at the time the loss is sustained the principal amount of the loan repaid, less any other amounts due, is equal to or less than the amount advanced by the Dominion and one-third of the loss if at the time the loss is sustained the principal amount repaid, less any other amounts due, is more than the amount advanced by the Dominion. In the case of small loans (that is, loans not in excess of \$4,000 in the case of a single family dwelling or not in excess of \$700 per habitable room in the case of a multiple family dwelling), the share of the loss to be borne by the Dominion is not more than 80 per cent and not less than 50 per cent of the loss. Under the National Housing Act, 1938, a new provision was added to encourage the making of small loans in such small or remote communities and in such districts of other communities as may be designated by the Minister of Finance in any contract. In respect of such loans, the Dominion has agreed in contracts with certain lending institutions to pay losses sustained by any such lending institution up to certain amounts determined by the contract which are not less than 7 per cent and do not exceed 25 per cent of the total amount of such loans made in such areas by each such lending institution. Under the National Housing Act, 1944, the Dominion bears the first one-quarter of the loss and agrees to pay losses sustained by any lending institution up to fifteen per cent of the total amount of loans made in any area by each such lending institution.

93. An amount of \$2,000,000 was appropriated for the fiscal year 1944-45 to provide for advances under the National Housing Act, 1938, not exceeding with the advance made jointly by the approved lending institution, \$4,000 in respect of any one house, for the construction of houses where the Minister was satisfied that permanent houses could be constructed to relieve a serious housing shortage without threatening to create a post-war surplus. Loans to the number of 21,896 have been approved at March 31, 1945, under the Dominion Housing Act, 1935, and the National Housing Act, 1938, in the amount of \$87,767,957. Under the National Housing Act, 1944, to the same date 862 loans in the amount of \$3,575,785 have been approved. Losses recorded and paid to March 31, 1945, amounted to \$2,644.78, covering the Dominion's proportion of the loss on seven loans. This amount represents total losses to that date under both the Dominion Housing Act, 1935, and Part I of the National Housing Act, 1938. These losses are offset in part by a profit of \$497.74 realized by the sale of eleven properties. The net loss to March 31, 1945, is therefore only \$2,147.04. There have been no losses under the National Housing Act, 1944.

94. As announced in the Budget Speech of 1943 and provided in the Appropriation Act, the Minister of Finance entered into agreements with certain provinces guaranteeing the liquor revenues of the provinces on the basis of such

revenues received during the twelve months ended June 30, 1942. No payments have been made to March 31, 1945, under these Agreements.

95. Under the terms of Orders in Council passed under the Export Credits Insurance Act, the Dominion Government guaranteed the payment to certain contractors for goods supplied and services rendered to the agent of a foreign country. The maximum amount authorized at March 31, 1945 under this authority was \$3,230,000.

96. The guarantee of bank advances to municipalities in Saskatchewan under the authority of The Seed Grain Loans Guarantee Act, 1938, was required to be implemented during the fiscal year. On December 11, 1944, the Government paid \$16,469,000 to the chartered banks, the amount so advanced was charged in the Dominion's books as a loan to the Province of Saskatchewan which in the first instance guaranteed the advances. At the close of the fiscal year the amount so advanced had been reduced to \$15,887,000.

97. The following is a statement of bonds and debenture stocks and other indebtedness guaranteed by the Dominion outstanding on March 31, 1945.

BONDS AND DEBENTURE STOCKS GUARANTEED BY THE DOMINION GOVERNMENT AS AT MARCH 31, 1945

Date of Maturity	Issue	Interest Rate	Amount Outstanding
		%	\$
Jan. 15, 1946....	Canadian National.....	2 $\frac{1}{4}$	15,000,000
July 1, 1946....	Canadian Northern.....	6 $\frac{1}{2}$	23,752,000
April 1, 1948....	New Westminster Harbour Commissioners.....	4 $\frac{1}{4}$	700,000
Dec. 15, 1950....	Canadian National.....	3	50,500,000
Sept. 1, 1951....	Canadian National.....	4 $\frac{1}{2}$	48,022,000
Feb. 1, 1952....	Canadian National.....	3	20,000,000
Aug. 1, 1952....	Saint John Harbour Commissioners.....	5	667,953
Feb. 15, 1953....	Canadian National.....	3	25,000,000
July 10, 1953....	Canadian Northern.....	3	1,169,460
Feb. 1, 1954....	Canadian National.....	5	50,000,000
Mar. 1, 1955....	Canadian National (West Indies) Steamships Limited.....	5	9,400,000
June 15, 1955....	Canadian National.....	4 $\frac{3}{4}$	48,496,000
Feb. 1, 1956....	Canadian National.....	4 $\frac{1}{2}$	67,368,000
July 1, 1957....	Canadian National.....	4 $\frac{1}{2}$	64,136,000
July 20, 1958....	Canadian Northern.....	3 $\frac{1}{2}$	5,641,326
Jan. 15, 1959....	Canadian National.....	3	35,000,000
May 4, 1960....	Canadian Northern Alberta.....	3 $\frac{1}{2}$	551,505
May 19, 1961....	Canadian Northern Ontario.....	3 $\frac{1}{2}$	3,643,985
Jan. 1, 1962....	Grand Trunk Pacific.....	3	26,465,130
Jan. 1, 1962....	Grand Trunk Pacific.....	4	7,999,074
Oct. 1, 1969....	Canadian National.....	5	57,728,500
Nov. 1, 1969....	Harbour Commissioners of Montreal.....	5	19,000,000
Feb. 1, 1970....	Canadian National.....	5	17,338,000
Various dates 1946-54.....	City of Saint John Debentures assumed by Saint John Harbour Commissioners.....	Various	590,229
Perpetual.....	Grand Trunk Debenture Stock.....	5	1,502,720
".....	Great Western Debenture Stock.....	5	864,855
".....	Grand Trunk Debenture Stock.....	4	6,100,887
".....	Northern Railway of Canada Debenture Stock..	4	27,458
			606,665,082

OTHER GUARANTEES OR CONTINGENT LIABILITIES

	Principal Amount Outstanding March 31, 1945.
Bank Advances, <i>re</i> Province of Manitoba Savings Office.....	\$ 5,299,078
Province of Manitoba Treasury Bill.....	4,305,723
Province of British Columbia Treasury Bill.....	626,534
Bank Advances, <i>re</i> Canadian Wheat Board:	
Wheat.....	65,563,970
Flax.....	5,210,947
Rapeseed and sunflower seed.....	390,772
Loans made by approved lending institutions under Dominion and National Housing Acts.....	Indeterminate
Loans made by approved lending institutions under The Home Improvement Loans Guarantee Act, 1935.....	246,120
Loans made by approved lending institutions under the Home Extension Plan.....	16,309
Deposits maintained by the chartered banks in the Bank of Canada.....	422,029,434
Bank Advances, <i>re</i> Government War Contracts— Department of Munitions and Supply.....	3,003,750
Bank Overdrafts—Government War Contracts— Department of Munitions and Supply (closed out monthly).....	—
Bank Advances, <i>re</i> production of logs or lumber— Commodity Prices Stabilization Corporation.....	27,400
Bank Advances, <i>re</i> coal, coke or briquette purchases— Commodity Prices Stabilization Corporation.....	39,277
Guarantee under Dominion-Provincial Taxation Agree- ments of Provincial receipts from gasoline taxes at amounts received in fiscal years ending nearest December 31, 1940.....	Indeterminate
Guarantee under Dominion-Provincial Agreements of Provincial liquor revenues at amounts received during the twelve months ended June 30, 1942...	Indeterminate
Guarantees under Export Credits Insurance Act.....	Indeterminate

(B.) CANADIAN ECONOMIC CONDITIONS

ANNUAL FIGURES

	Calendar Years						
	1926	1928	1932	1937	1939	1943	1944
Group I.—Comprehensive Indexes (1935-39=100)							
Physical volume of business.....	87	103	69	107	107	236	237
Volume of manufacturing.....	89	100	66	109	105	294	292
Mining.....	55	65	59	104	118	242	235
Forestry.....	84	87	57	117	103	123	121
Carloadings.....	131	148	88	106	102	139	146
Electric power output.....	46	61	61	106	108	154	154
Employment (a).....	100	112	88	114	114	184	183
National income.....	110	129	69	107	112	214	225
Retail sales.....	(e)	(e)	92	105	105	161	173
Group II.—Price Levels and Financial Factors (1926=100)							
Wholesale prices.....	100	96	67	85	75	100	103
Farm product prices.....	100	101	48	87	64	96	103
Cost of living (b).....	122	121	99	101	102	118	119
Common stock prices (b).....	92	147	51	117	92	84	84
Bank deposits.....	100	115	100	120	132	199	234
Active currency circulation.....	100	105	81	103	111	353	482
Group III.—Gross Value of Production in Major Industries (\$ millions)							
Agriculture.....	1,148	1,265	496	800	900	1,524	(c)1,874
Forestry.....	556	586	267	494	466	809	(c) 936
Fisheries.....	73	71	34	51	53	119	(c) 133
Mining (including Smelting).....	281	316	238	663	663	974	(c) 893
Construction.....	452	578	271	352	373	572	(c) 407
Manufacturing.....	3,101	3,582	1,980	3,625	3,475	8,733	(c)8,713
Group IV.—Foreign Trade and International Transactions (\$ millions)							
Exports (gold excluded).....	1,277	1,364	498	1,012	936	3,001	3,440
Net non-monetary gold exports (d).....	30	40	70	145	184	142	110
Total exports, including non-monetary gold.....	1,307	1,404	568	1,157	1,120	3,143	3,550
Imports (gold excluded).....	1,008	1,222	453	809	751	1,735	1,759
Total trade.....	2,315	2,626	1,021	1,966	1,871	4,878	5,309
Export balance.....	+299	+182	+115	+348	+369	+1,408	+1,791
Net tourist receipts.....	53	79	65	79	68	52	(e)
Net interest and dividends going abroad.....	201	221	262	226	249	202	(e)

(a) 1926=100.

(b) 1935-39=100.

(c) Estimated.

(d) Adjusted for changes in stocks of earmarked gold. These figures were computed by the Bank of Canada on the basis of official trade returns.

(e) Not available.

CANADIAN ECONOMIC CONDITIONS
MONTHLY FIGURES

	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Group I.—Comprehensive Indexes (a)												
(1935-39=100)												
Physical volume of business.....	226	227	232	237	232	236	241	237	240	243	249	249
1944	247	242	248	240	242	239	232	231	228	228	228	233
1945	229	217	225	232	219	220	214	231	240	101	102	103
Volume of manufacturing.....	279	291	294	297	286	285	291	299	304	307	308	308
1944	304	305	301	291	297	292	288	292	286	285	284	284
1945	274	270	271	271	256	253	249	249	249	249	249	249
Mining.....	224	218	245	248	255	245	253	254	243	240	232	245
1944	250	256	263	248	239	226	225	215	206	209	192	189
1945	174	148	174	183	189	175	161	161	206	209	192	189
Forestry.....	106	121	124	116	119	132	127	127	127	127	126	132
1944	114	125	125	115	119	121	113	122	116	125	125	126
1945	117	127	138	119	124	125	125	125	125	125	125	126
Carloadings.....	131	140	144	143	147	148	139	123	122	122	139	153
1944	155	158	157	145	157	153	147	143	143	143	143	143
1945	152	148	149	149	154	156	151	151	151	151	151	151
Electric power output.....	143	142	147	153	161	162	167	164	161	151	149	154
1944	156	154	155	153	165	160	155	153	152	152	152	145
1945	152	150	154	166	165	164	162	162	162	162	162	162
Employment (b).....	191	188	189	191	185	181	181	180	181	179	179	186
1944	193	190	189	191	185	181	180	179	178	178	176	181
1945	187	186	186	186	187	182	175	175	174	174	174	181
Retail sales (c).....	129	131	151	168	163	159	148	143	158	174	173	221
1944	140	139	163	175	178	178	178	179	179	183	191	237
1945	143	147	194	175	182	196	196	196	196	196	196	108
Group II.—Price Levels and Financial Factors—												
(1926=100)												
Wholesale prices.....	97	98	99	99	99	99	99	100	100	101	102	103
1944	103	103	103	103	103	103	103	103	103	102	102	103
1945	103	103	103	103	103	103	103	103	103	104	104	103
product prices.....	88	89	91	92	93	94	96	98	98	101	104	105
1944	104	104	104	105	104	105	105	105	105	102	102	103
1945	104	104	104	105	105	105	105	105	105	101	101	103

Cost of living (d).....	1943	117	117	118	118	119	119	119	119
1944	119	119	119	119	119	119	119	119	119
1945	119	119	119	119	119	119	119	119	119
Common stock prices (d).....	1943	76	79	83	84	86	91	89	86
1944	82	82	82	79	80	84	88	85	86
1945	89	93	93	94	97	103	101	87	88
Bank deposits (e).....	1943	178	176	184	193	203	202	199	204
1944	215	211	213	222	237	238	239	235	221
1945	257	253	251	255	273	281	281	233	243
Active currency circulation (e).....	1943	312	320	331	341	344	352	362	382
1944	391	399	411	419	413	415	427	445	455
1945	461	467	477	482	479	477	479	457	467

Group III.—Other Significant Factors

Exports (f) (\$ millions).....	1943	177	168	205	228	251	249	304	293
1944	242	227	283	368	343	368	279	257	245
1945	230	236	301	312	315	323	283	265	260
Imports (f) (\$ millions).....	1943	127	114	146	151	154	147	151	137
1944	126	138	151	137	159	152	148	157	163
1945	130	112	132	133	144	146	139	160	160
Net non-monetary gold exports (g) (\$ millions).....	1943	14	13	13	14	13	12	10	12
1944	9	8	13	9	9	17	7	10	9
1945	9	8	10	7	10	5	8	9	8
Construction contracts awarded (h) (\$ millions).....	1943	12	19	11	16	23	20	16	24
1944	9	16	31	28	32	37	32	24	25
1945	12	13	20	34	38	59	51	26	19
War contracts awarded (h) (\$ millions).....	1943	112	92	307	109	73	115	255	94
1944	97	51	128	44	100	62	64	44	50
1945	46	77	68	35	27	22	16	13	47
Canadian war expenditure (\$ millions) (i).....	1943	184	196	(i)	703	137	276	262	452
1944	290	319	(i)	647	199	90	302	422	451
1945	242	239	(i)	797	129	400	327	398	348

(a) Indexes seasonally adjusted unless otherwise indicated.

(b) As at first of month. 1926=100.

(c) Unadjusted.

(d) 1935-39=100.

(e) Based on daily average figures; index unadjusted.

(f) All gold excluded; includes exports of foreign produce.

(g) Adjusted for changes in stocks of earmarked gold. These figures were computed by the Bank of Canada on the basis of official trade returns.

(h) Contracts awarded by Department of Munitions and Supply on Canadian Account, including Capital Assistance; subject to revision.

(i) Includes year-end expenditure.

(j) Includes expenditure under United Nations Mutual Aid Acts of 1943 and 1944 from July, 1943; figures from September, 1944, subject to revision.

